Austria Sch22	Indonesia Rp3100	Philippines. Peso40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel IS3.50	S.Arabia Rls7.00
Canada ...... C$1.00	Italy L1700	Singapore .... S$4.10
Cyprus ...... C£0.90	Japan Y600	Spain Pta145
Denmark .. DKr10.00	Jordan Fils.500	Sri Lanka Rup30
Egypt .... E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon .. £1250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan .... NT$85
Germany DM2.30	Malaysia Rlm4.25	Thailand Bht50
Greece Dr120	Mexico Pes900	Tunisia Din0.800
Hong Kong .... HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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BOTSWANA
Revelling in new from-the-box boom
Page 24

World News

Picasso painting sells for record £21m

A painting of two circus acrobats by Pablo Picasso sold for £20.9m ($38.46m) at auction at Christie's, becoming the most expensive 20th century work of art.

Bhutto signs pact
Benazir Bhutto, leader of the Pakistan People's Party now looks certain to become the country's first female Prime Minister, after the signing of an agreement with the Mohajir Quami Movement. Page 26

Ryan checks out
Father Patrick Ryan, wanted by British Government in connection with a series of IRA murders and bombings, signed himself out of his Dublin hospital. Background: Page 12

Paris commuters hit
More than a million Paris commuters were delayed by transport strikes as unions continued their battle against government wage restrictions. Page 2

Estonia stands firm
Estonian leadership refused to back down from its declaration earlier this month of republican sovereignty despite Kremlin pressure. Page 2

Mir space success
Soyuz TM-7 spacecraft with a joint French-Soviet crew on board successfully docked with the Mir space station.

Thai disaster fund
Thai government set up a $20m disaster fund as officials said more than 900 people may have died in floods that engulfed the south of the country.

Rebels kill mayor
Leftwing guerrillas have assassinated the mayor of an eastern town and killed or wounded 17 soldiers in an ambush on El Salvador's main highway.

Carolina tornado
Tornadoes ripped through homes, and apartment blocks in Raliegh, North Carolina, killing five people, injuring more than 100 and leaving dozens homeless.

Turkish strike
Nearly 45,000 coal miners in inflation-hit Turkey prepared to strike for higher pay after last-minute negotiations faltered.

Likud power offer
Israeli Prime Minister Yitzhak Shamir's rightwing Likud party met the demands of its rival Labour party for two senior cabinet posts in an effort to form a new national unity government. Page 4

Ceausescu pledge
Romanian President Nicolae Ceausescu reaffirmed his plan to destroy thousands of villages and build 550 new towns when he spoke at the start of a three-day Communist Party Central Committee meeting.

Heysel to be razed
Heysel stadium, where 39 people died in rioting before the 1985 European Cup final, will be demolished by the end of next year and replaced with a new stadium.

Heaven cent
The Rev Frank Giliberti, who describes himself as a recreational gambler, won $1,077,777 playing a slot machine at an Atlantic City casino.

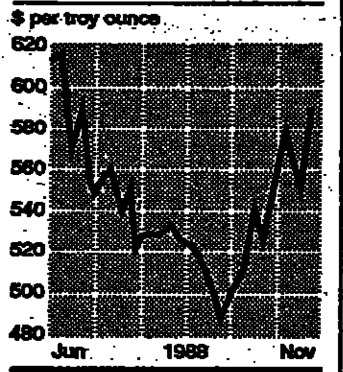
Business Summary

Lonrho sells wines and spirits units for £180m

LONRHO, international trading group being stalked by Mr Alan Bond, the Australian entrepreneur, is to sell its wines and spirits businesses to Brent Walker, the rapidly expanding property and leisure group, for £180m in three cash tranches of £60m. Page 24

INFLATION fears were rekindled by the Opec agreement on oil production and this prompted interest in precious metals. But platinum was the only one to hold most of its early gains. In London it ended

Platinum
$ per troy ounce



at $589 a troy ounce, some $6 an ounce ahead of last Friday's closing price but demand for gold bullion was not strong enough to push the price through the important $425 an ounce barrier. Page 34

MANVILLE, Denver-based building products group and formerly the world's biggest producer of asbestos, emerged from bankruptcy and became the first company in history to be run on behalf of the victims of its products. Page 25

BET, international support services group, beat analysts' expectations with a 31 per cent rise in pre-tax profits to £120m ($92.1m) for the six months to October 1. Page 25

RICHARDSON Greenshields, only major Canadian investment house to remain independent, is to seek a link with a large international financial institution. Page 26

HARRIS, US semiconductor company, is considering an investment of around $100m in a European chip manufacturing plant as part of expansion plans. Page 26

CARLSBERG, brewery group, continued to expand its sales of beer in markets outside Denmark, which now account for 71 per cent of beer sales for the group. Page 30

KYOCERA, world's largest maker of ceramic packages for microchips, announced a 30 per cent increase in consolidated pre-tax profits to Y31bn ($256m) because of strong demand in the electronics industry. Page 27

PIONEER ELECTRONIC, a leading Japanese audio equipment group, increased annual pre-tax profits by 50 per cent to Y36.1bn ($298.2m) due to strong sales of audio and visual equipment, including compact discs. Page 27

RHONE POULENC, French state-controlled chemicals group, has reported a 40 per cent increase in consolidated net profits for the first nine months of this year to FFr2.75bn ($466m), compared with FFr1.96bn for the same period last year. Page 30

BERGESEN, Norway's leading bulk shipowner, said it acquired shares and warrants representing more than 50 per cent of Bulk Transport, Bermuda-registered crude oil tanker owner, for $70m. Page 30

FERRUZZI GROUP, Italian industrial and chemicals concern, has privately placed $100m of so-called auction rate preferred stock in the US, its first such offering in that market. Page 29

Opec ratifies pact on production after Saudis back down

By Steven Butler in Vienna

THE Organisation of Petroleum Exporting Countries yesterday ratified its first 13-member oil production agreement in two years, after overcoming a last-minute hitch which was caused when Saudi Arabia proposed a price floor of $15 a barrel.

The Saudis backed down on their proposal early yesterday morning amid reports that heads of state of some Opec members had directly contacted King Fahd, the Saudi Arabian monarch, to express opposition to the proposal. The Saudi initiative had threatened to unravel a production accord that had been hammered out after more than a week of intensive negotiations.

Negotiators were able convince Iran to sign an agreement under which Iraq was brought back into the Opec quota system at parity with Iran, each producing 2.64m barrels a day.

Iraq's refusal to accept any quota less than Iran's for two years had deeply divided the cartel and was often blamed for a rise in indiscipline among Opec members.

The accord fixes a new production ceiling at 18.5m b/d. This compares to 15.06m b/d under the old agreement, which excluded Iraq, and to current production estimated at more than 22m b/d.

Oil prices rose steeply soon after the announcement (that Opec had reached agreement), but fell back somewhat later. The price of Brent crude for 15-day delivery rose in the morning to nearly $15 per barrel, but ended the day at $14.60. This was the same as the closing price on Friday when the markets had been expecting an agreement to be signed during the weekend.

The market's enthusiasm for the deal was dampened by comments reported from Mr Mana Said al-Oteiba, the United Arab Emirates' Oil Minister, who said its new Opec quota was not official. The UAE has regularly cheated by producing more than its agreed quota. Mr Oteiba said the emirates would co-operate with the organisation as much as possible.

The agreement also fixed an Opec reference price of $18 a barrel and ministers expressed hope that this price could be approached by June, when the agreement expires. The current high level of Opec producion is expected to continue into December, making it impossible to reach the price target in the short term.

Sheikh Ali Kalifa Al-Sabah, the Kuwaiti Minister, said yesterday that the Saudi proposal for a $15 floor on prices had been misunderstood and that it was intended as a mechanism to strengthen the agreement by lifting prices quickly. The Saudi proposal, however, was opposed by virtually the entire membership of Opec. Some argued that a floor price would in effect become a ceiling because of the structure of the market, while other members simply wished to avoid renegotiating an agreement that had been approved by other members. It remained a mystery yesterday why the Saudis raised the proposal in the manner they did.

The ministers decided to establish a new heavyweight *Ministerial Monitoring Committee*, composed of ministers from Algeria, Indonesia, Iran, Iraq, Kuwait, Nigeria, Saudi Arabia, and Venezuela. The committee will be convened following periods of weak oil prices, or in response to violations of the Opec agreement by member countries, and is empowered to convene an emergency meeting of the cartel. The Monitoring Committee will meet in March to review implementation of the agreement.

The ministers also reinstated a system to monitor production by member states in an effort to police the agreement. Dr Subroto, Opec secretary-general, said that following implementation of the agreement efforts would be made to contact non-Opec oil producers in order to enlist their co-operation in bringing stability to oil markets. Efforts along these lines have been prevented by Opec's lack of internal discipline.

The ministers also agreed on a set of definitions for quotas and condensates. This issue had produced intense arguments at previous meetings and accusations of cheating by some members.

Editorial comment, Page 22; Lex, Page 24; Commodities, Page 34

Moscow moves to defuse dissatisfaction in republics

By Quentin Peel in Moscow

A FULL-SCALE plenum of the Communist Party Central Committee yesterday endorsed changes in Mr Mikhail Gorbachev's proposed constitutional reforms in an effort to defuse a simmering revolt by five of the 15 Union republics.

The agreement came on the eve of a crucial meeting of the USSR Supreme Soviet, summoned to endorse the plans to create a new super-parliament and give sweeping powers to an executive president.

However, the party leadership is insisting on maintaining the broad framework of the constitutional reform despite calls by the dissident republics to postpone the debate on key provisions. The Central Committee also endorsed reforms of the ruling party's bureaucracy and expelled three of its members, including the former Communist Party leader in Uzbekhistan, saying they had "compromised themselves."

Few details had emerged last night of the Central Committee's agreed amendments to a constitutional reform package which has run into unprecedented criticism.

The five republics whose own supreme soviets or parliaments have demanded changes are Armenia, Georgia and the Baltic republics of Estonia, Latvia and Lithuania, all of which have strong nationalist traditions.

The amendments approved yesterday by the combined Communist Party leadership are certain to follow the lines promised by Mr Gorbachev at the weekend: to "improve considerably, with due account for the proposals put forward by the republics, the draft laws submitted." However, he also said this would concentrate on bolstering the power of the Soviet of Nationalities – one of the subsidiary chambers in the new system.

Tass, the official news agency, said the central committee had "endorsed the amendments and more specific definitions" in the constitutional reforms.

A central committee resolution declared that the reforms would mean "a major step along the road of democratisation of Soviet society, ensurance of unlimited power of the Soviets, and the creation of a Socialist law-governed state."

The reform would also "strengthen legal guarantees against the abuse of power and authoritarianism."

There was no immediate mention of any debate on the other critical problem facing the Soviet leadership, the resurgence of racial unrest in the trans-Caucasian republics of Armenia and Azerbaijan, where a military curfew has been imposed in several cities.

However the committee instructed the Politburo to work out measures aimed at "easing social and political tension taking place in separate republics to ensure united action of all party organisations".

US in grain pact with Moscow

By Quentin Peel in Moscow

THE US and the Soviet Union yesterday agreed to renew until the end of 1990 their billion dollar grain sale agreement, after eight months of abortive negotiations to settle new terms.

The deal provides for annual guaranteed Soviet grain purchases of 9m tonnes at "prevailing market prices," providing essential imports to overcome the continuing shortfall in Soviet harvests.

The compromise, to extend the current agreement for slightly more than two years, was greeted with relief by both sides. The previous deal expired last September 30.

Since then, in spite of the absence of any government-to-government arrangement, the Soviet Union has already bought 5.5m tonnes of US maize and 1.3m tonnes of soyabeans and soyabean meal, a government spokesman confirmed.

Signing of the agreement at the Ministry of Foreign Economic Relations in Moscow yesterday clears the way for the Soviet Government to buy the further 4m tonnes of US wheat to which it is now committed – and more than fulfil its minimum purchase requirement. The deal is for an annual 4m tonnes of wheat, 4m tonnes of corn, and a further 1m tonnes of grain, or 500,000 tonnes if it is substituted by soyabeans.

The agreement came shortly after an announcement from Paris of a deal for Moscow to buy 2m tonnes of French grain next year, valued at some $280m. It was announced by the French commodity trader Interagra, traditionally the foremost EC supplier of agricultural produce to the Soviet Union.

A statement by Mr Michel
Continued on Page 24

Egypt and Jordan seek to focus US mind on Mideast

By Tony Walker in Cairo and Andrew Gowers in London

EGYPT, in close consultation with Jordan and Iraq, is preparing a new diplomatic drive to persuade US President-elect George Bush to focus his attention on the Middle East when he takes office in January.

President Saddam Hussein of Iraq arrived in Cairo on a surprise visit yesterday, adding his weight to efforts by Egypt and Jordan to maintain the momentum of the Palestine Liberation Organisation's new diplomatic initiative in the face of discouraging signals from Washington. King Hussein of Jordan is also due in Cairo later this week.

The Iraqi leader's visit followed a US decision at the weekend to bar Mr Yassir Arafat, the PLO chairman, from visiting the United Nations General Assembly in New York on the grounds that he was an accessory to terrorism. Arab officials fear that momentum could be lost because of negative signals from Washington while the Administration is in transition.

Egyptian President Hosni Mubarak yesterday urged the US to think again about its ban on Mr Arafat. But the Arab states and the PLO emphasise that they are looking beyond the US decision – widely regarded as a "parting shot" by Mr George Shultz, the outgoing Secretary of State – to the policies likely to be adopted by his nominated successor, Mr James Baker.

A senior Egyptian official said that although the US decision to deny Mr Arafat a visa to address the UN was "regrettable," there was little point in dwelling on the actions of an outgoing administration. Egypt's concern was to preserve and build on the resolutions of the recent Palestine National Council meeting in Algiers which moved the PLO closer to recognising Israel's right to exist within secure pre-1967 borders.

Despite suggestions from radical Palestinian factions that the US refusal of a visa proves that the PLO's new moderation does not pay, Mr Arafat and his advisers are refusing to be deterred. In Baghdad yesterday, Mr Arafat expressed confidence that a UN General Assembly debate on Palestine would be moved to Geneva, enabling him to cir-
Continued on Page 24

US banks raise prime lending rate to 10.5%

By Janet Bush in New York

LEADING US commercial banks yesterday raised their prime lending rates by a half percentage point to 10.5 per cent, the highest level since May 1985.

The moves were widely expected following the sharp rise in short-term US market interest rates since the US presidential election amid forecasts of a further tightening in monetary policy by the Federal Reserve Board, the US central bank.

News of the prime rate rises gave a temporary fillip to the dollar and other US financial markets also showed a limited response.

While short-term US interest rates have been under considerable upward pressure over the past fortnight as markets anticipate firmer US monetary policy, few suggested that yesterday's prime rate increases presaged an imminent increase in the Fed's key discount rate.

There is a widespread belief that the central bank will force interest rates higher over the next few months in response to a weak dollar and inflationary pressures in the economy.

However, inflation indicators so far suggest that there will be only a steady increase in price pressures and analysts believe the Fed will be cautious about raising interest rates until it has more substantial evidence.

Mr Robert Brusca, chief economist with Nikko Securities in New York, said: "The markets have got into a tizzy because they think the Fed is tightening and because the dollar has been falling. They have raised their inflationary expectations but the Fed hasn't."

News that the Organisation of Petroleum Exporting Countries had agreed to limit Opec output at 18.5m barrels a day had only a marginal effect on US financial markets which had been anticipating an agreement late last week. Nevertheless, a surge in crude oil and precious metals prices heightened concern about inflation.

The US government bond market was quoted mixed at midsession in New York with short-dated bonds under pressure but longer-dated issues registering small gains of up to ¼ of a point. The yield on the Treasury's benchmark long bond was quoted at 9.15 per cent.

In the equity market, a modest five point gain during the morning was wiped out by the prime rate increases and the Dow Jones Industrial Average was quoted 0.53 higher at midsession at 2,075.21.

At lunchtime in New York the dollar was standing at Y121.95 and DM1.7385. In London it had gained Y1.15 to Y122.20 and nearly 2 pfennigs to DM1.733.

Details, Page 9; Lex, Page 24; Markets, Section II.

London acts to control sharp rise in sterling

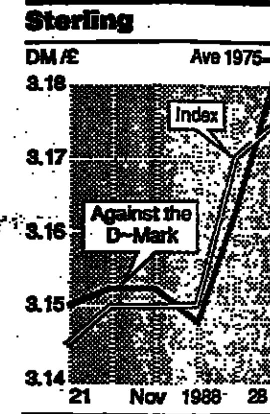
By Peter Norman in London

THE Bank of England stepped into the foreign exchange market yesterday, selling pounds for D-Marks and other currencies to control a sharp rise in sterling after last Friday's one percentage point increase in British bank base rates.

The Bank's action, which pushed the pound lower towards the close of trading in London, was intended to dampen weekend speculation that the UK Government had adopted a new "hard sterling" policy in its bid to reduce inflationary pressures and cut Britain's huge trade deficit. The Treasury also denied that Government policy towards the pound had changed.

Foreign exchange market operators interpreted the Bank's steady selling of pounds yesterday afternoon as a signal to the market that it should not regard buying sterling as a "one way bet." They estimated

Sterling



that the Bank may have sold between £100m ($184m) and £150m.

The pound closed at DM3.1825 in London, up 2 pfennigs from Friday's DM3.1625 close but below the DM3.19 lev-
Continued on Page 24

MARKETS

Australia
All Ordinary Index

INTEREST RATES
US lunchtime
Federal Funds $8\frac{3}{16}$% ($8\frac{1}{2}$)
3-mth Treasury Bills: yield: 8.239% (8.297)
Long Bond: $98\frac{13}{32}$ ($98\frac{7}{32}$)
yield: 9.15% (9.169)
London
3-month interbank: close $13\frac{1}{8}$% ($12\frac{15}{16}$)

STERLING
New York lunchtime
$1.8435 (1.842)
London:
$1.837 (1.844)
DM3.184 (3.1625)
FFr10.875 (10.81
SFr2.665 (2.6475)
Y224.5 (223.25)

DOLLAR
New York lunchtime
DM1.7385 (1.717)
FFr5.9045 (5.8645)
SFr1.44725 (1.437)
Y121.95 (121.25)
London:
DM1.733 (1.715)
FFr5.92 (5.8625)
SFr1.4505 (1.436)
Y122.2 (121.05)

GOLD
New York latest
Comex Dec
$422.6 (420.1)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,074.32 (-0.36)
S&P Comp
267.69 (+0.46)
London:
FT-SE 100
1,781.5 (-13.2)
World:
138.00 (Fri)
Tokyo
Nikkei Ave
28,983.32 (-380.27)
Frankfurt
Commerzbank
1,570.7 (-17.7)

OIL
Brent 15-day (Argus)
$14.60 (same) (Dec)
West Tex Crude
$15.355 (same) (Jan)

CONTENTS

Delors aims to avert strife at European Community summit

Mr Jacques Delors, EC Commission president says that at the forthcoming EC summit he will not seek to push such controversial issues as new social and monetary initiatives but will respond if other leaders raise these issues
Page 3

EUROPEAN NEWS

Communists fan Paris transport unrest

By **Paul Betts** in Paris

FRANCE'S Communists appeared yesterday to be stepping up pressure to force the ruling Socialist Party a new electoral deal with them by fanning labour unrest in the Paris urban transport system.

Strikes in a number of suburban rail services and on some lines of the Paris underground network caused major disruptions yesterday for more than 1m regular users of the capital's urban transport system.

Some city bus services were also hit by the labour unrest yesterday.

The latest labour conflict in the Paris urban transport system has been spearheaded by the pro-Communist CGT union, which appears intent in provoking a showdown with the government.

The Communist Party is widely suspected of using the strikes to try to secure a political deal with the Socialists before next spring's municipal elections.

The Communist party newspaper, L'Humanité, yesterday called for the Communists and Socialists to present common lists in the next local elections, as was the case in the last municipal elections four years ago.

However, the Socialists are extremely reluctant to agree at this stage to a formal new electoral pact with the Communists for next spring's municipal elections, especially at a time when the government and President François Mitterrand are continuing to seek to attract the political centre to their cause.

But after the recent wave of labour unrest in various parts of the French public sector, the pro-Communist CGT union and the Communist party itself now appear to have decided to raise the political temperature by hardening the strikes in the Paris urban transport network over new pay demands.

In an effort to defuse the latest labour unrest, the government appointed a special mediator at the weekend. However, there were no signs of progress in the dispute yesterday, which was assuming a growing political dimension and causing increasing embarrassment for the Socialist government.

This was clearly reflected by the consultations yesterday between President Mitterrand, Mr Michel Rocard, the Prime Minister, and Mr Michel Delebarre, the Transport Minister, on the Paris urban transport conflict.

Spain braces itself for general strike violence

By **Peter Bruce** in Madrid

SPAIN'S Socialist Government is bracing itself for a potentially violent confrontation with the country's two main trade unions on December 14 when the Socialist UGT and the Communist CCOO have called a general strike to protest against Government employment policies.

The general strike call is the first in Spain since 1934 and follows a rapid collapse in relations this autumn between the Government and its allied union, the UGT. The UGT finally broke ranks with the Socialist Party earlier this month after the Government made it clear it intended to press ahead with the introduction of a controversial youth employment scheme.

A few days after the breakdown of talks with the Government over the scheme, the UGT leader, Mr Nicholas Redondo, announced he had reached a first-ever agreement to work together with the CCOO. The two unions agreed to call a series of work stoppages throughout the country, culminating in a general strike on December 14.

The Government has reacted with uncharacteristic vigour to the move. The Socialist Party has set a massive anti-strike mobilisation campaign in motion and Mr Felipe Gonzalez, the Prime Minister, is likely to campaign as well. With the left-wing unions receiving support from the conservative opposition and newspapers, the political mood in Spain is being compared to 1986 when Mr Gonzalez staked his future on Spain voting to remain a member of Nato.

The Government appears to have decided to try to use the strike to isolate and possibly remove Mr Redondo from office. By allying the UGT with the Communists, he risks the stoppages getting out of hand and has already had to make several appeals for calm. He has also risked alienating Government and Socialist party support for the many civil service jobs passed by tradition to UGT members. The Government also makes a major contribution to UGT finances.

But Mr Gonzalez has also taken a major risk by not simply ignoring the strike call.

Italian union has new leader

By John Wyles in Rome

MR BRUNO Trentin, a 62-year-old left-winger, will be elected the new secretary-general of Italy's largest trade union confederation today after an unprecedented act of political defenestration by the leadership of the Communist-dominated CGIL.

In little more than a month, the brief reign of Mr Antonio Pizzinato - he was elected in March 1986 - has been tried and judged inadequate by colleagues, including Mr Trentin, who before the summer were insisting that the confederation's manifest problems could not be blamed on one man or group of men.

By October, left and right were making common cause in holding 58-year-old Mr Pizzinato responsible for the CGIL's lack of direction and general unattractiveness to a generation more interested in Mammon than Marx.

Quite how Mr Trentin will rise to the challenge of reviving a divided union at a time of declining popular faith in the relevance of traditional collectivist values remains to be seen. As a former leader of the metalworkers, traditionally the CGIL's most powerful section, he was robbed of the throne in 1986 when Mr Luciano Lama, the immensely respected retiring secretary- general, gave his blessing to Mr Pizzinato.

Now a senator and member of the Communist Party's executive, Mr Lama has never fully explained his preference for Mr Pizzinato over Mr Trentin, but he was worried about the latter's identification with the Communist left and preferred the former's transparent integrity burnished on the engineering lathes of Sesto San Giovanni, near Milan.

But Mr Pizzinato has proved too much of an innocent for the world of CGIL politics in Rome, immensely complicated as they are by a Socialist-party minority basking in the onward march of Mr Bettino Craxi's Socialists and a depressed Communist majority desperately reaching out for a tourniquet to choke off a political haemorrhage.

The symbolism attached to Mr Pizzinato's departure has not escaped a class conscious rank-and-file who see his demise as an emblem of the CGIL's declining confidence in its working class base.

In the solid CGIL areas around Milan, they believe Mr Pizzinato is being made to pay for his working-class origins, his caricature resemblance to a Soviet working-class hero, and his Moscow training.

Mr Trentin, by contrast, grew up in France, fought in the French Resistance, had a spell at Harvard and is a graduate of the University of Pavia. He was certainly a left-winger until he left the metalworkers in 1977, but since then, his public speeches ring louder with detachment than burning commitment.

But his culture, his experience, appeal more to the 40-year-olds now occupying key positions at regional levels than the tired class rhetoric of Mr Pizzinato. But no one knows what he wants to do with the 4.6m-member union; it is assumed that a man of such intelligence must have some ideas.

He is, in many eyes, a natural CGIL leader, whose effortless elevation will be achieved without a trace of the dagger in the back. The union is giving a premium to image: only the problems will remain the same.

Supreme Soviet set to vote on key reforms

By **Quentin Peel** in Moscow

THE aim of the constitutional changes being voted on today by the USSR Supreme Soviet is to give power back to elected bodies – the Soviets or councils which exist at every level from towns and districts right up to republics and finally the Union itself. The amendments are also supposed to make elections more democratic.

The draft has aroused almost as much criticism as support – from those who say it is ill-drafted and still undemocratic, and those who claim it reinforces Moscow's power over the constituent republics.

The key question will be how far the Soviet leadership moves to accommodate the objections, both to lessen the "exclusive authority" of national institutions, and to ensure a more democratic choice of candidates in the continuing one-party state.

At the heart of the reform is the creation of a new "super-parliament" to be known as the Congress of People's Deputies, with 2,250 members.

That body will be made up of three groups – 750 directly elected from constituencies, 750 divided equally between the 15 republics, and 750 elected from "social organisations" like trade unions, youth organisations, and the Communist Party.

The Congress in turn will elect a Supreme Soviet from among its members, and a new executive president, the person who will propose a prime minister, chair the national defence council, and act as head of state – a job obviously tailor-made for Mr Mikhail Gorbachev.

Criticism has come from both constitutional lawyers and budding nationalist movements in five small but vociferous republics: Estonia, Latvia and Lithuania, Georgia and Armenia.

They agree in a general mistrust of the concept of the Congress. The only directly-elected body, and even then only partially, it will meet only once a year. Real power will be in the indirectly-elected Supreme Soviet, almost certain to exclude most fringe candidates.

There has also been widespread criticism of the role of indirectly-elected representatives of "social organisations", on the grounds that this system will give a select group of people more than one vote.

Neither of those key provisions is likely to be changed. However, the clause laying down rigid numbers for specific social organisations - such as 100 each from the Communist Party, the trade unions, and co-operative organisations - is likely to be dropped.

Reformers are also hoping for an easier system for nominating candidates under the new election laws. Many would like it to be compulsory for there to be more than one candidate for any position, not simply "as a rule".

The national movements in the Baltic and trans-Caucasus are fighting to change Article 108, which gives the congress the "exclusive prerogative" to decide on matters such as "the composition of the USSR," the definition of both internal and external borders, and the repeal of republican laws which conflict with the constitution.

Some changes in wording have been promised, but probably not enough to satisfy the Baltic republics.

Estonia refuses to back down over sovereignty issue

By **John Lloyd** in Tallinn, Estonia

THE ESTONIAN leadership yesterday refused to back down from its declaration earlier this month of republican sovereignty in face of an onslaught over the weekend from Mr Mikhail Gorbachev, the Soviet leader, and an expected heavy vote against the Estonian position in today's meeting of the USSR's Supreme Soviet.

In an interview in Moscow broadcast in Estonia, Mr Vaino Valjas, the Estonian Communist Party First Secretary, said that he stood by the resolution passed by the Estonian Supreme Soviet on November 16 which reserves to the republic the right to reject Soviet laws.

Mr Arnold Runtel, the Estonian Soviet's President, in a separate interview also from Moscow said: "What was adopted is still right and we support it." He said it had overwhelming support in Estonia.

Mr Kostel Gerndorf, a leading member of the Popular Front's executive, said yesterday that there was no prospect of change in the Estonian Government's position, irrespective of decisions in today's Supreme Soviet. "The main issue is the sovereignty of Estonia: this is a conflict between a republic which is trying to establish sovereignty and an all-union centralised state."

Commentators in Tallinn, the Estonian capital, believe that both the Estonian and the Moscow sides will be cautious in forcing their positions. They point to the intention, underscored by Mr Gorbachev, to compromise on draft changes to the Soviet constitution which have raised fears in a number of republics of a centralisation of power.

However, conflict is likely to arise when new Soviet legislation is adopted or if the constitutional changes even when amended do not satisfy the Estonian Soviet.

Khomeini portrait raised in Azerbaijan protest

By **Quentin Peel**

THE green flag of the Iranian Revolution, and a portrait of the Ayatollah Khomeini, have been displayed in the main square of Baku, capital of the Soviet republic of Azerbaijan, and scene of continuing mass demonstrations in defiance of military rule in the city, a Soviet newspaper confirmed yesterday.

The report was published as confirmation came of the first mass arrests in the city, where demonstrators are protesting against the demands of neighbouring Armenia to take control of the enclave of Nagorno-Karabakh.

Azerbaijan Radio reported that 867 people had been detained on Sunday evening, as an estimated crowd of 10,000 continued to meet in Lenin Square in defiance of a curfew and ban on unauthorised meetings imposed by the city's military commander.

The evidence of Moslem fundamentalist sympathies in the crowd was revealed by Izvestia, the Soviet government newspaper.

It was confirmed by an Azeri nationalist leader, 26-year-old Nemat Panakhov, described as the most powerful speaker to address the demonstrations.

He insisted that the green flag and the Ayatollah's portrait were private incidents, and "we condemn them".

However, he defended the display of a huge portrait of Akhmed Akhmedov, the youth sentenced to death in Moscow 10 days ago for his part in last February's race riots in the Azerbaijan city of Sumgait.

Mr Panakhov said the crowd was demanding action to confirm Nagorno-Karabakh - where the population is 75 per cent Armenian - as part of Azerbaijan.

Ceausescu vows to press on with resettlement plan

By **Judy Dempsey** in Vienna

DESPITE mounting international criticism, President Nicolae Ceausescu of Romania yesterday confirmed his plans to press ahead with the "systematisation" programme, which entails making more arable land available through the destruction of thousands of villages.

At the same time, he ruled out introducing any economic changes which would weaken the leading role of the Communist Party.

Speaking at the start of a three-day meeting of the central committee, Mr Ceausescu delivered a forceful and lengthy speech, spelling out plans aimed at "removing the essential differences between villages and towns."

The plan, which involves moving Romanians, ethnic Hungarians and Germans from old village settlements into towns, has aroused much criticism from the international community as well as from Romania's Warsaw Pact allies.

The central committee plenum follows a meeting last week of the Executive Political Committee, the equivalent of the politburo, in which Mr Ceausescu replaced Mr Marin Stefanache as Minister of Mining and appointed instead Mr Irimie Catargiu.

These reshuffles are also regarded as an attempt by Mr Ceausescu to prevent any coherent opposition building up within the party and state apparatus.

FINANCIAL TIMES

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EUROPEAN NEWS

Delors aims to avert strife at EC summit

By David Buchan and Andriana Ierodiaconou

THE forthcoming European summit in Rhodes will be a relatively low-key review of high policy in the Community's external relations and its internal market programme, the Brussels Commission and the Greek presidency of the EC Council both forecast yesterday.

Mr Jacques Delors, the Commission president, said he would not seek to push such controversial issues as new EC social and monetary initiatives onto the December 2-3 summit agenda, though he expected some leaders would want to raise these and he would respond.

For Greece, which will chair the summit, Mr Theodore Pangalos, the European Affairs Minister, said the summit would take stock of the Community's progress towards achieving a single market by 1992, and on three Greek-inspired reviews of external relations, environmental and social policies.

By yesterday Mr Andreas Papandreou, the Greek Prime Minister, had still not yet sent out the pre-summit letter which EC summit hosts traditionally dispatch to fellow leaders a week ahead of such meetings. Mr Papandreou is beleaguered with domestic political problems.

However, Mr Pangalos discounted any surprises, quipping to an Athens press conference that "any initiative launched at the summit could be considered a hostile act against the Community" because it would catch EC leaders unawares.

From the remarks of both Mr Delors and Mr Pangalos, it was clear that the ingredients for a row, most predictably involving Mrs Margaret Thatcher, the UK Prime Minister, will be present at Rhodes, the first EC summit she will attend since she trenchantly laid down her views on future EC development at Bruges in September. But both the EC Commission and the Greek presidency yesterday indicated their desire not to provoke any political explosions.

One potential catalyst for such an explosion – the Commission suggestion of a European company statute with provision for worker participation – will not figure on the agenda, Mr Delors said yesterday. EC governments have asked the Commission to come up with a formal draft plan before returning to this issue, Mr Delors said. However, Mr Pangalos stressed that Greece wanted EC leaders to review progress on existing EC worker health and safety proposals.

Discussion of external relations is likely to centre on the Community's general stance towards the Soviet Union and Eastern Europe, and on the Middle East. Mr Delors yesterday warned EC states against "trying to outbid each other" in making special economic or political deals with Moscow, and called for "a wide-ranging strategic discussion" at Rhodes on how the Community should approach Comecon countries, with which it is negotiating bilateral economic agreements.

Speaking as an ordinary citizen, he expressed surprise at the US denial to Mr Yassir Arafat, the Palestinian leader, of a visa to attend the United Nations in New York, given that "the Palestinians have recently made a step forward" in implicitly recognising Israel.

The Commission president said he sought to maintain discretion on the workings of the new monetary committee he is heading, but if asked for a progress report in this sensitive field he would of course respond. He indicated his belief that EC leaders would only touch on the issue of tax harmonisation by recording the necessity for progress here to complete the single market. This was because the Commission had yet to finish bilateral consultations with the 12 member states on indirect tax approximation, and because its plans to harmonise taxes on savings were only due later next month.

Clouds start to gather on Sweden's horizon

Robert Taylor, in Stockholm, assesses the uncertain outlook forecast for the national economy

The Swedish economy has an uncertain outlook at the moment, perhaps best summarised by the headline astride this month's economic overview from SAF, the country's employers federation: "Why is it going so well despite rising costs?"

Authoritative and independent forecasts for 1989 published in Sweden over the past few days reflect an underlying concern about what will happen to industrial costs and competitiveness next year, particularly as the annual rate of economic growth and industrial production are expected to fall.

In its outlook for the coming year PK Banken estimates that pre-tax wages will go up by 8.4 per cent (compared with an expected 7.8 per cent rise in 1988), while the increase in industrial earnings will be as high as 9 per cent, more than twice the rate of Sweden's main industrial competitors on world markets.

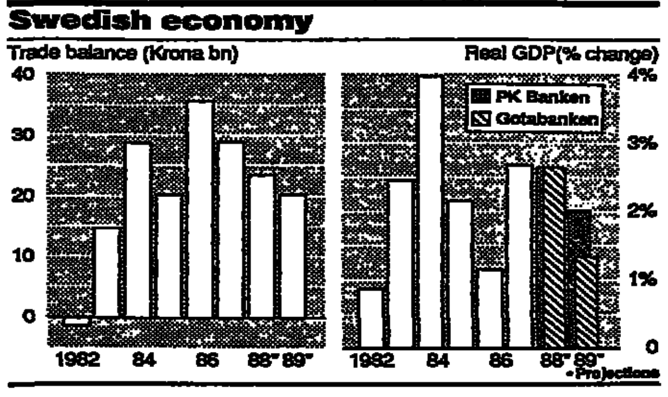
In addition, there is no sign that productivity will improve much during the coming year. The autumn review of the the National Institute of Economic Research, for example, estimated that productivity would rise by only 0.5 per cent this year and by the same figure in 1989.

At the same time PK Banken estimates that the growth in the country's gross national product will fall from 2.6 per cent this year to 2.0 per cent in 1989, while the increase in industrial production will come down from 3.0 per cent to 2.5 per cent over the same period.

The forecast from Gotabanken is even more pessimistic, suggesting the Swedish growth rate will drop from an increase of 2.6 per cent this year to only 1.3 per cent in 1989 and industrial production will decline from a rise of 3.8 per cent expected in 1988 to only 1.5 per cent next year.

The rate of inflation is set to move further out of line with Sweden's trade rivals. Last month the year on year increase in prices was 6.2 per cent, compared with 5.9 per cent in September. It is now generally assumed that the price rise for the whole of this year will be 6.5 per cent, possibly even higher. Gotabanken believes that prices for the consumer will go up by as much as 7 per cent in 1989, a figure that PK Banken is in broad agreement with.

Swedish economy



However, Sweden looks set to continue its strong trade performance. This year it is expected to show a surplus of SKr23-26bn ($3.8-$4.3bn) and in 1989 SKr20-30bn. It is also predicted that the deficit on the current account will total SKr5.4-10bn this year and as much as SK11-15bn in 1989.

But, according to PK Banken, exports to Norway and Denmark will be less expansive than this year because of the very severe economic troubles facing those two countries.

Both banks also predict a fall in the growth in the levels of investment, from 4.9 per cent this year to 2.2 per cent next year, according to PK banken, and from 5.6 per cent to 2.5 per cent in the view of Gotabanken.

Employment levels are, however, expected to remain very high. The numbers out of work will average a mere 1.6-1.8 per cent of the workforce during 1989.

In its report PK Banken acknowledges that the Swedish economy – for all its difficulties – should continue to enjoy a relatively successful performance next year as a result of low oil prices, high demand for Swedish exports and the high prices for the country's forestry products.

But SAF point out in their economic overview this month that the recovery of the economy during the 1980's has to be set against a background of positive international factors that worked to Sweden's clear advantage such as lower oil prices and the devaluations of the Kroner. Furthermore, the dependence of Sweden on the outside world for its economic health has probably grown stronger over the past few years.

As a result, the uncertainties this autumn about the state of the Swedish economy remain considerable. The planned radical reform of taxation, a supply side strategy to make the market more efficient and revitalise the public sector, as well as a programme to develop the more effective use of labour should all help internally to prevent Sweden from relapsing into any recession, at least for the next few years.

But what happens to pay and prices in the medium-term is perhaps crucial for the Swedish economy and that will depend on the success of attempts on both sides of industry to reform collective bargaining.

It might have been rather risky of Gotabanken to extrapolate about what will happen to the economy in 1990 but its figures suggest real trouble ahead with an actual decline in investment, a worsening balance of payments, a growth rate of only 0.6 per cent and rising unemployment.

Whether this will herald a return to the economic instabilities of the late 1970's in Sweden is another matter. As so often in the past a vital determinant will be the external environment. Swedes will take heart perhaps that changes in the international economy have often worked to the advantage rather than the distress of their economy.

Hungary set to cut balance of payments deficit

By Leslie Colitt, recently in Budapest

BURDENED with Eastern Europe's highest per capita foreign debt, Hungary will reduce its hard currency balance of payments deficit this year to between $500m and $600m, compared with last year's deficit of $850m.

Mr Ede Bako, a managing director of the Hungarian National Bank, has qualified the improvement, however, by noting that the underlying factors in the current account were still "weak".

Although the hard currency balance of trade had improved, four times as many Hungarians as last year visited the West, equipped with new passports valid for travel anywhere. As a result of the travel boom, net income from tourism was $150m lower than the expected target of $450m.

Hungary's gross hard currency debt fell to $16.6bn at the end of September, compared with $17.7bn in December of last year.

But this was a technical improvement, Mr Bako noted, which stemmed from the strengthened dollar in relation to the currencies in which most of Hungary's debt is held. Debt repayment absorbs 45 per cent of the nation's hard currency earnings.

Hungary promised the International Monetary Fund, which granted it a $265m loan in special drawing rights, that the current account deficit would not rise above $500m and that the budget deficit would not exceed Forints 10.4bn.

The current account deficit was now somewhat higher and the budget deficit will be about Forints 15bn this year, Mr Bako said.

Greek finance chief predicts record budget deficit

By Andriana Ierodiaconou in Athens

A RECORD budget deficit of Drachmas 1,392bn (£5.3bn) for 1989, representing 16.2 per cent of gross domestic product, was projected yesterday by Mr Dimitris Tsovolas, the Greek Finance Minister.

Nonetheless, Mr Tsovolas insisted the 1989 budget was designed to reduce the borrowing needs of the public sector relative to the GDP, and to fight inflation.

The budget forecasts an 18.4 per cent increase in revenues, and an 18.7 per cent increase in spending. In a clear nod towards the general elections due in 1989, the spending increases are mainly directed towards education, health and social welfare.

Revenues from direct taxes are expected to go up by 17.6 per cent, despite significant income tax reductions for private individual earners.

The authorities hope that these reductions will be offset by higher corporate tax revenues, reflecting improved business profitability. Indirect tax revenues are expected to go up by 18.4 per cent.

This increase includes a predicted 22.8 per cent rise in VAT earnings and higher taxes on tobacco products. The authorities hope to reap Drachmas 50bn from their efforts to curb tax evasion, which continues to impose a serious constraint on revenues.

Net receipts from the European Community are expected to go up by 22.5 per cent, reaching Drachmas 338bn in 1989.

Serious doubts, however, were cast by independent economic observers on the reliability of the 1989 budget figures, particularly in light of the deviations from the targets set in the 1988 budget.

Thus the predicted budget 1988 budget deficit of Drachmas 957bn, 13.3 per cent of GDP, has already been overshot and is expected to reach Drachmas 1,167bn, or 15.6 per cent of GDP.

The overshooting reflects a shortfall of Drachmas 218bn in revenues, which Mr Tsovolas attributed to modifications in the system of VAT rates, lenient income tax policy, and a package of tax incentives designed to boost investments, applied by the Government in 1988.

According to Mr Tsovolas the lag in revenues is "transitory" and will be compensated for next year by the increase in economic activity observed in 1988, which is expected to generate a 3.1 per cent increase in Greece's GDP.

Warsaw Pact arms talks move on Turkey rejected

By Judy Dempsey in Vienna

THE Warsaw Pact yesterday put forward proposals aimed at defining what parts of Turkey be included in proposed talks on conventional arms in Europe. Nato diplomats described the proposals as falling short of their requirements.

The proposed Conventional Stability Talks, grouping the 16 Nato countries and 7 Warsaw Pact nations, are intended to discuss arms reductions in an area from "the Atlantic to the Urals."

However, at the early stage of the mandate talks, Turkey proposed that parts of its territories which border with Iran, Iraq and Syria be excluded from any future reductions.

In return, the Warsaw Pact proposed that part of the Soviet Caucasus be also excluded.

But yesterday, the Warsaw Pact dropped this condition and instead proposed that the US base at Adana, in southern Turkey be included in future reductions and the Turkey's exclusion zone be reduced in size.

Nato diplomats say they are somewhat disappointed with this proposal but remain confident that the issue can be resolved.

OVERSEAS NEWS

Australian move in farm talks 'isolates US'

By William Dullforce in Geneva

THE US is being left increasingly isolated in the talks on farm trade reform after a change of position yesterday by Australia, one of its most important allies, according to Mr Guy Legras, the European Community's director-general for agriculture.

Mr Legras was speaking after senior officials from the EC, the US, Japan and other farm-exporting countries had met here for a last-minute effort to break the deadlock in the farm talks before next week's meeting of trade ministers in Montreal.

The US had not altered its unacceptable demand that the EC and other countries to commit themselves at Montreal to eliminate all trade-distorting subsidies on farm production and exports, Mr Legras said.

Australia, the leader of the Cairns group of 13 farm-exporting countries, which has previously supported the US long-term objective, had modified its position.

Mr Peter Field, the Australian deputy secretary for foreign trade, said that it was incorrect to say that Australia had changed its position but "we have tried to visualise how countries can enter into a long-term political commitment."

He placed the lack of preparation on agriculture for the ministerial meeting "squarely at the feet of the US and the EC."

Mr Field had proposed that ministers agree to "concerted, progressive and significant reductions" in farm support, dropping the commitment to the removal of all farm subsidies.

The EC could not accept the Australian proposals outright but could find "a basis for negotiating" in them, Mr Legras said.

He welcomed the Australian effort to resolve the impasse between over agriculture which threatens to disrupt the trade ministers' meeting and could even halt progress in the Uruguay Round trade-liberalising talks.

The US has said that it would agree to an immediate freeze on farm payments, *if* the EC accepted a long-term commitment to end subsidies. EC agriculture and foreign ministers agreed earlier this month to refuse this commitment.

A US response to the Cairns group propsals was long overdue, while Australia was greatly disappointed at the lack of clarity in the EC attitude to long-term farm trade reform.

Algerian party set to agree reforms

By Francis Ghilès in Algiers

A PARTY congress of Algeria's ruling Front de Libération National was yesterday set to approve several important political reforms.

These were expected to include the separation of the post of FLN secretary general and that of head of state, and a reform to allow independent candidates to run for Parliament. A multi-party system, however, has been ruled out, at least for the immediate future.

The congress meets following the riots in October, the worst the country has seen since independence in 1962, which have provided a spur to reform moves by President Chadli Bendjedid.

In an hour-long opening address to 5,000 delegates at a sports stadium at Cheraga, in the hills above Algiers, President Chadli called on the FLN to revert to its nature of being a broad church, which had characterised it during the 1954-62 struggle for independence against France.

The President repeatedly used the word "democracy" and argued strongly for separation of political and administrative functions which he sees as a prerequisite to any hope of renewing the party.

He called for an end to "empty slogans" and said the FLN would have to make a much greater effort than previously to listen to 25m Algerians and allow younger people to express their opinions freely.

He did not make clear, however, whether the many political associations which have sprung up since last October's riots would be allowed to function freely from the FLN.

After the riots, the president openly called for Algerians to express their views. The response has been overwhelming. The flourish of meetings and uncensored articles in the press has astounded Algerians who still remain sceptical that so much freedom of expression can last for long.

Among the most important meetings have been ones protesting against torture, such as the one last Friday when 15,000 people met at the Bab Ezzouar University in Algiers.

They were addressed by Yasmina Belkacem, who was crippled while carrying a bomb during the war of independence and who spoke in the name of all the "Moujahada", women who fought in the war.

An even larger meeting took place in the Berber heartland of Kabylia at Tizi Ouzou where a meeting of more than 20,000 people passed off peacefully.

Labour and Likud discuss terms

By Andrew Whitley

Shamir: prepared to offer Labour two top posts

THE leaders of Israel's two largest parties, Labour and Likud, were due to meet last night in a fresh attempt to form a broad coalition government. This followed Likud's decision to offer improved participation terms to its ideological rival.

Under unprecedented pressure from US Jewry to abandon his partnership with the ultra-Orthodox parties, Prime Minister Yitzhak Shamir convinced his doubtful colleagues yesterday morning of the need to reopen discussions with Labour.

Within hours the meeting with Mr Shimon Peres, Labour's leader, was on. Supporters of Mr Shamir within the right-wing party said Likud was now willing to offer Labour two top posts within the new government. These were not specified, but Labour has insisted on controlling two out of the defence, foreign affairs and finance portfolios.

Four weeks after the elections, Israel's "Prime Ministers' Club" – a triumvirate made up of Mr Shamir, Mr Peres and Mr Yitzhak Rabin – thus seems near to a compromise pact which would suit its rival members' personal and political interests.

In a rearguard action against the growing likelihood of another national unity government, Mr Ariel Sharon, the maverick Likud minister, yesterday attacked the latest coalition negotiations as "a grave, perhaps historic mistake". A hardliner on relations with the Arabs, Mr Sharon complained that Likud had campaigned on a platform of restoring order in the occupied territories. "A month has passed, the situation has worsened, and nothing has been done," he told the English-language Jerusalem Post.

Mr Peres, speaking to the latest delegation of US Jewish leaders to arrive in Israel to lobby against any change in the "Who is a Jew?" law, said he would not join a Shamir-led government if its agreed guidelines did not include commitments to electoral reform and did not "block the way to peace".

Tehran orders execution of six members of clergy

IRAN said yesterday that it had executed nine people, including six clergymen, for forming "corrupt bands" and other political corruption offences, Reuter reports from Nicosia.

The Iranian news agency IRNA said they included Mr Fathollah Omid Najafabadi, a former revolutionary judge and member of parliament.

He was arrested two years ago in a political subversion case linked to a relative of Ayatollah Hossein Ali Montazeri, Iran's designated future leader.

Mr Mehdi Hashemi, brother of Mr Montazeri's son-in-law, and several accomplices were executed last year for murder, kidnapping and subversion.

IRNA, monitored in Nicosia, said that the nine were sentenced by the special court of the clergy and executed over the past three weeks.

Charges against them included "corrupting a number of individuals, deep moral and financial corruption, insulting Islamic sanctities and . . . committing acts against the code of the ulema [Moslem clergy]," the agency said.

Tehran Radio quoted Mr Mohammad Mohammadi Reyshahri, the intelligence minister, as saying a number of pseudo-clergymen had been executed.

Israel aims to improve relations with black Africa

By our Jerusalem correspondent

AN ISRAELI bid to improve its relations with black Africa, particularly with several Marxist-led countries publicly hostile to the Jewish state, appears to be underway.

Mr Avraham Tamir, director-general of the Foreign Ministry, flew last week to an undisclosed destination in Africa, on a mission which the state radio said would include Mozambique and Zaire.

A familiar figure around black Africa through his usually unpublicised missions, Mr Tamir is reported to be aiming to resolve a long-running aid dispute bedevilling relations with Zaire. The Zaireans are reported to be complaining that $8m in credits promised by Israel for the purchase of weapons has yet to be released.

Confirmation of this could not be obtained in Jerusalem, with the Foreign Ministry refusing yesterday to discuss any aspect of the trip. Under President Mobutu Sese Seko, who himself once participated in a military training course in Israel, Zaire has become the Jewish state's most important ally in black Africa. Israel provides medical and agricultural assistance, and has been involved for many years in training elite Zairean military units.

Plans by Mozambique to renew diplomatic relations with Israel, ruptured in 1973, were shelved last year, reportedly after failure to reach agreement on a proposed aid project. During a visit to Maputo in August 1987, Mr Tamir is understood to have held talks with President Joaquim Chissano.

Israel is also apparently trying to cultivate Ethiopia. Ethiopia's Agriculture Minister made a low-key visit to Israel last month, believed to be the first by a member of the Mengistu Government since diplomatic relations were broken in 1973.

Unconfirmed press reports have also spoken of contacts over the possible resumption of arms supplies. Israel continues to use every opportunity, public and private, to press for the emigration of an estimated 15,000 Jews still living in Ethiopia. About 12,000 of the so-called Falashes were brought out through Sudan between 1980 and 1984, in a secret air-and-sea operation popularly dubbed "Operation Moses".

Son of Iraqi president freed from jail

President Saddam Hussein's son, Uday, accused of killing a presidential bodyguard, has been released from jail, official sources said yesterday, AP reports from Baghdad. The sources said he was freed Sunday evening.

In another development, the official Iraqi News Agency reported that the president had ordered a general amnesty pardoning all political prisoners, except spies. It was not clear how many prisoners the amnesty involved.

The president ordered Justice Minister Akram Abdul Qader al-Douri last week to appoint a committee to investigate the killing of the bodyguard, Kamel Hanna Jajjo.

Indonesia tightens rules on fishing

FOREIGN fishery companies, operating in Indonesia under joint venture arrangements with local firms in Exclusive Economic Zones (EEZ), will have to sell their catch at Indonesian ports or export it from there, said Mr Wardoyo, Minister of Agriculture, reuter reports from Jakarta.

The decision was taken because Indonesia was losing as foreign companies continued to take their catch abroad in exchange for nominal operational fees paid to Indonesian authorities, he said.

Under the new regulation, companies are obliged to purchase Indonesian-made vessels if they decide to expand their fleets, the minister said.

Genscher tell Iran of human rights fears

MR Hans-Dietrich Genscher, the West German Foreign Minister, yesterday voiced concern about alleged human rights abuses in Iran and the ordeal of 18 Westerners believed held hostage in Lebanon, Reuter reports from Tehran.

Aides said that Mr Genscher, who was starting talks in Tehran, specifically mentioned Mr Terry Anderson, an American journalist kidnapped by pro-Iranian Shia Moslem guerrillas in March 1985.

"The fate of the hostages in Lebanon was only brought up briefly [yesterday], but the matter will be addressed more extensively in further talks on Tuesday," an official in Mr Genscher's party said.

Mr Genscher is the most senior Western minister to visit Tehran since the August ceasefire in the eight-year Iran-Iraq war. He arrived on Sunday night for two days of talks expected to focus on trade and the plight of the hostages in Lebanon.

Bonn government sources said that Mr Genscher, using West Germany's record of good relations with Tehran throughout the war, would try to persuade Iranian leaders to press their Shia disciples in Lebanon to free the hostages.

Mr Genscher, in talks with Mr Ali Akbar Velayati, Iran's Foreign Minister, also expressed concern about human rights violations reported by London-based Amnesty International, aides said. He studied Amnesty's latest report before leaving for Tehran and "brought up some very concrete cases," one aide said. "The Iranian side didn't block this discussion, but rather referred to the principles of Islamic law."

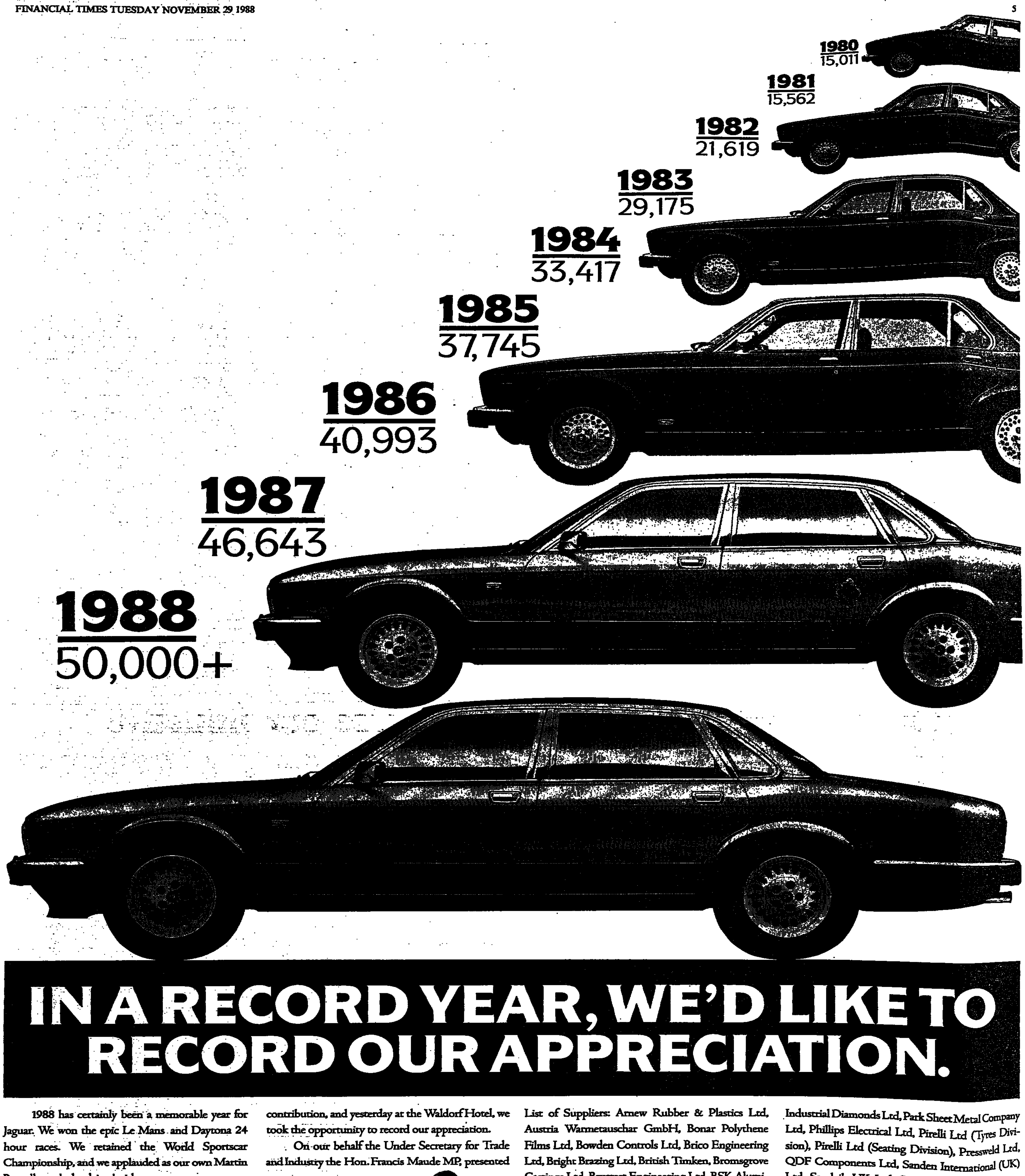
Tehran Radio said that Mr Velayati told Mr Genscher Iran wanted to deepen economic ties with West Germany but would not tolerate Western pressure on human rights.

"The Islamic Republic of Iran in no way allows others to interfere in Iran's internal affairs under the false pretext of human rights," the radio quoted Velayati as saying.

Mr Velayati said that West Germany could play a major role in Iran's post-war economic reconstruction and Tehran also wanted stronger political co-operation, the radio reported. Aides to Mr Genscher said that Mr Mohammad Javad Larijani, Iran's Deputy Foreign Minister, promised that West German firms would be given clear conditions for investment needed to reconstruct Iran's economy after the devastating Gulf war.

Tehran Radio said the two countries traded goods worth $2bn last year and a joint economic co-operation commission would meet in Tehran in the first quarter of 1989.

It said links with West Germany were expected to grow because of Bonn's financial resources and technology and its understanding of Iran's position during the war with Iraq. Mr Genscher was expected to meet President Ali Khamenei and Mr Ali Akbar Hashemi Rafsanjani, the parliamentary Speaker.



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1988 has certainly been a memorable year for Jaguar. We won the epic Le Mans and Daytona 24 hour races. We retained the World Sportscar Championship, and we applauded as our own Martin Brundle took the driver's title.

We launched the glamorous XJ-S Convertible. Took the Motor Show by storm with the XJ220 concept car. And moved our designers into a £55 million Engineering Centre as advanced as any in the motor industry.

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The Jaguar Supplier of the Year Award.

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Our thanks to all who've helped us make it.

JAGUAR

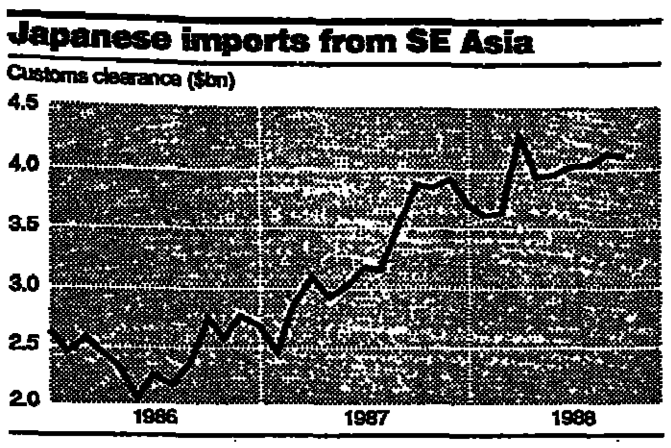
Tokyo ponders rising tide of East Asian imports

By Ian Rodger in Tokyo

MANY ECONOMISTS in Japan have been rattled in recent months by the unexpected resurgence of the country's exports, which has slowed the decline in its bloated trade surpluses.

Now concern is emerging that import growth is slowing too. If true, the country's surpluses could, in fact, start rising again, and that would contribute to instability in currency markets and cause considerable dismay among Japan's main trading partners.

The main thrust of foreign pressure on Japan in recent years has been to force the country to open its markets to imported goods. A considerable amount of progress has been made in the past two years, but recent statistics indicate a slowing of import growth even though the penetration of manufactured goods in Japan is still at a relatively low level.



A senior Bank of Japan official sent a shudder through Tokyo financial circles last week by acknowledging that "imports are a bit of a problem, especially from East Asian countries".

Imports from South-east Asian countries jumped from $6.8bn in the second quarter of 1986 to $11.6bn in the fourth quarter of last year. But since then, they have gained only slightly, quarter-to-quarter, to $12.3bn in the third quarter. A similar pattern can be observed in imports from the US and Europe.

The meaning of this trend is being sharply debated. Mr Hirohiko Okumura, chief economist at NRI & NCC, said that most of the slowdown in imports from South-East Asia was attributable to temporary declines in raw material imports, such as lumber and oil. This, in turn, reflected the slowing of housing construction activity in Japan and the impact of Japanese refiners stocking up on crude oil in advance of a tax increase in August. Import growth of manufactured goods from South-East Asian countries in the six months to September was a brisk 21.5 per cent, virtually unchanged from 21.8 per cent in the same period of 1987, according to Mr Okumura. Similarly, the slowdown in the growth of imports from the US could be attributed in large part to the booming US economy and to last summer's drought.

However, others suspect that the import figures reflect a fundamental change in trade patterns. "It is safe to assume that a lot of the adjustment process has been accomplished," says Ms Elisabeth Saccente of Citicorp Scrimgeour Vickers. "From now on, import growth will be related to income growth."

Ms Saccente believes that lower import growth rates, along with other trends in the Japanese economy that are helping to sustain high trade surpluses, could lead to strains not only with trading partners but also within the country. If the current account surpluses remain high, the increased liquidity could cause another round of inflation in Japanese property and share prices, she said. To avoid that, the authorities might want to direct some of the money towards more useful public works, but would have difficulty doing so because there are already severe labour shortages in the construction sector.

Mr Ken Courtis of DB Capital Markets (Asia), believes that the weakening of the yen against the dollar last summer put off some fledgling importers. "Imports are still very cyclical in Japan. We have not reached a structural watershed yet," he said.

Philippine Foreign Minister visits Hanoi

MR RAUL MANGLAPUS, the Philippine Foreign Secretary, has arrived in Vietnam, becoming the first Filipino cabinet minister to visit the communist country since the two sides established diplomatic ties in 1976, AP reports from Bangkok.

The Vietnam News Agency said Mr Manglapus was welcomed by Mr Nguyen Co Thach, Vietnam's deputy Prime Minister and Foreign Minister. Filipino reporters on Sunday quoted Mr Co saying Vietnam may allow the US and other countries to use refueling and repair facilities now at Cam Ranh Bay.

'Uncle Zeph' points up gulf among blacks

By Jim Jones in Johannesburg

IT WAS not what was said but rather what was left unsaid in Soweto yesterday that underscored the gulf between the Pan African Congress and the African National Congress.

Mr Zephania Mothopeng, the PAC president, at his first public meeting since his sudden unconditional release from prison on Saturday, called once for the release of Mr Nelson Mandela but for the rest of the brief press conference he carefully avoided mention of the ANC or deflected questions about it.

A groundswell of Africanism, in contrast to the avowed multi-racialism of the ANC, is believed to be growing in South Africa's black townships with increasing support for the PAC. However at yesterday's meeting only a couple of dozen PAC supporters were in evidence and the organisation remains banned even though Mr Mothopeng has been released unconditionally.

Mr Mothopeng is terminally ill with a rare glandular cancer which quickly tires him and affects his co-ordination and ability to speak. Yesterday he rose from his bed to attend the meeting and needed the arm of his wife on entering the Ipelegeng Community Hall. While "Uncle Zeph" flashed defiance at the Botha government yesterday, it is clear that when it decided on his unconditional release the government took into account the likelihood that illness would limit Mr Mothopeng's political activities.

But that begs the important question of whom the Government will talk to as age takes its toll of the old-guard black leaders. Mr Mothopeng himself admitted he would have preferred to have stayed in bed yesterday, adding that though his body was weak his spirit was not. He challenged President Botha to release all political prisoners and un-ban political organisations if he was serious about change.

Mr Mothopeng said he would not participate in a Muzorewa-type government (as in Zimbabwe). "My first task," he said, "is to unite the African people." He added, significantly, that this unity should be irrespective of colour and that the PAC was non-racial. However Mr Mothopeng was jailed in 1977 for his part in the previous year's Soweto uprising and the South Africa he has been freed into is far more racially polarised than in the 1970s when most black people were comparatively un-politicised.

The jewel in Africa's crown loses its lustre

Kenya has become less attractive to foreign investors, reports Julian Ozanne

A commercial attaché at a Western embassy in Nairobi tried for hours recently to telephone the newly created Investment Promotion Center, a government body established as a one-stop shop to whisk foreign investors through the cumbersome administrative machine.

He eventually gave up and walked there. When he arrived he found the phone had been taken off the hook.

Among western donors and businessmen, the IPC has become a standing joke – they call it a "one-stop stop."

Since the early 1980s new foreign private investment in Africa has slowed down to a trickle and many multinationals have actually disinvested.

According to the World Bank, the net flow of capital to sub-Saharan Africa declined from an annual average of $13.9bn during 1980-1982 to an annual average of $8.5bn.

Net capital flows to Africa in 1980 were roughly half official and half private. By 1986 they had become 95 per cent official. Foreign investment had fallen from $6bn in 1980 to $1bn disinvestment in 1985.

Kenya, long regarded as the jewel in the African crown for its apparent political and economic stability, has been no exception to this trend.

Like many African countries, post-independent Kenya opted for a policy of import substitution and protection as a path to rapid economic growth.

But unlike many of its neighbours, Kenya sought to guarantee foreign investors and took the unusual step of constitutionally forbidding nationalisation of foreign assets.

In the 1960s and 1970s Kenya was also fortunate in exploiting the East African Community. Foreign money came pouring in.

But after the collapse of the community and the exhaustion of import subsitution-led growth, Kenya became a less attractive prospect for foreign capital at a time when it was most needed.

Stifling bureaucratic intervention in the economy and mounting government corruption has also made the business climate increasing frustrating for foreigners.

Foreign businessmen complain that oppressive government interference in the private sector has become so suffocating that they can no longer make a profit.

Among the major complaints are:

- Price controls which prevent companies setting a fair price for their goods.
- Import licences which can take as long as five months to work their way through the red tape, and, even when granted, there is no guarantee of allocation of foreign exchange from the Central Bank.

British Telecom delivers a unit to a Kenyan outpost

- Difficulties getting work permits for expatriate staff.
- Inability to repatriate dividends overseas. The Government has just dealt with applications to remit dividends dating back to December 1986.
- Excessive corporate taxes. The company tax rate in Kenya for non-resident companies is 52.5 per cent.
- Difficult access to local borrowing which is limited by the extent of indigenous participation.

But the biggest disincentive to foreign businessmen is the growing climate of government corruption.

"The fundamental problem for multinational companies is not the problem of dividends, but the rule of law. We need fixed rules so we can compete fairly on an open playing field," said one manager of a wholly owned American subsidiary.

"But how do I compete in a marketplace where my competitors have the Government bending the rules in their favour?"

Figures for foreign investment in Kenya are unavailable but it is clear there has been no substantial new foreign investment since the late 1970s. According to the capital account, private long-term capital fell from $207m in 1979 to $12m in 1987.

During that time there has also been significant disinvestment.

According to one businessman, there are attractive incentives to multinational manufacturing companies by going local.

"You take on partners who are members of the ruling party and who want to get in on the loot. Most of the time they are silent partners and very supportive."

In return, you get a good price paid in hard currency outside the country, immediate lifting of price controls, access to import licences, support from the Government in closing the loopholes exploited by your competitors and substantial royalty payments for the brand name franchise," he said.

But despite this it is clear there is a growing, if hesitant, government commitment to reform the investment climate and relax intervention.

This year Kenya signed a World Bank Industrial Sector Adjustment Programme worth $112m and more than triple that in co-financing.

In return for balance of payments support the Government has pledged to implement a whole catalogue of reforms.

Already this year, the Government has implemented several measures, but they have failed to impress the international business community.

According to one western backer there is a considerable lack of political commitment among senior government circles to implementing a fully-fledged reform programme.

There appear to be several camps of opinion in the Government about the way forward and little coherent debate about long-term policy.

"Kenyans want foreign investment but not at the cost of political instability," said one investment analyst.

In such an environment, different ministries often pursue contradictory paths. For example at a time when foreign investment is high on the public agenda the Attorney General's office last month gave details of a badly drafted bill which would bar foreigners from buying any land in Kenya.

While pressure is strong from financial backers there is also a growing body of private business opinion in Kenya which is becoming increasingly vocal in its criticisms of government policy.

A recent report by the Kenyan Association of Manufacturers pulled no punches.

"Foreign investment in Kenya manufacturing ceased in the late 1970s and shows no sign of being rejuvenated," it said.

Yet Kenya remains a relatively good investment prospect compared to many other African countries.

But it is increasingly trading on its past reputation. As the Government dithers, foreign investors are looking elsewhere in Africa.

For a country with the fastest population growth in the world, which must create an estimated 6m jobs over the next 12 years and achieve a 7.5 per cent industrial growth target, that may be devastating.

WORLD TRADE NEWS

Moscow chooses Finnish border for trade zone

By Olli Virtanen in Helsinki

THE Soviet Union plans to set up the first customs-free industrial park on a territory currently leased to Finland for the Saimaa Canal, in the south-eastern part of the country.

The plan for a "special economic area" was recently approved by the Soviet government and is aimed at attracting joint high-technology ventures with Western partners.

Any companies establishing operations in the zone would enjoy tax, duty and Customs benefits while workers, who will initially have to commute from Finland or Leningrad, some 50 kms away, would need no visa.

At a later stage, according to Mr Oleg T. Bogomolov, a Soviet scientist whose report on the zone was published inFinland last week, the Soviet Union would build housing andservices on the territory.

In addifion to Finnish partners,the Soviet Union also plans to invite other Western companies, including large multinationals.

One local Finnish chamber of commerce said construction of the first factories could begin next summer and production could commence in 1990.

Moscow aims to attract the latest technology and know-how which could later be adapted in existing Soviet industries. Some Finnish analysts expect Moscow to establish a second free zone soon in the Eastern part of the Soviet Union.

In addition to the Saimaa Canal area, Moscow has already considered similar plans on Sakhalin island in the Pacific Ocean and Odessa, in the southern part of the Soviet Union.

Tallinn was reportedly also a strong candidate but it was rejected because of the current troubles in Estonia.

The planned free zone consists of an area of 20 squarekms flanking the Saimaa Canal which connects Lake Saimaa in Finland to the Gulf of Finland through Soviet territory.

●Metsa-Serla, Finland's third largest forest products group,plans to build a joint venture paper mill with Soviet-partners in Tallinn, Estonia.

The Soviet Union will control 60 per cent of the equity of the new company while Metsa-Serla will own 40 per cent. The total cost of the project is estimated to be FM400m (£53m).

The new mill will produce 40,000 tonnes of soft tissue paper annually and it will employ 300 Soviet workers. The mill is expected to come on-stream at the end of 1991.

This is the largest joint venture project between Finnish and Soviet partners to be established in the Soviet Union to date.

Danish-led group wins Zealand link contract

By Hilary Barnes in Copenhagen

AN international consortium headed by the Danish civil engineering and construction company Monberg and Thorsen was yesterday awarded the first major contract for the construction of a road-and-rail bridge-and-tunnel link across the Great Belt, one of the two main exits from the Baltic.

This will establish a permanent link between the island of Zealand, on which Copenhagen is sited, and Funen, which is already linked by bridge to the Jutland pensinsula.

The project is the single biggest construction project carried out in Denmark and one of the biggest in Europe. Total estimated cost of the 18km Great Belt link is Dkr17.8bn (£1.4bn) at today's prices.

Yesterday's contract was awarded for the construction of a railway tunnel under the eastern end of the Great Belt. The contract is worth Dkr3.07bn (but contains inflation adjustment clauses).

Participants in the consortium are Monberg and Thorsen, Campenon Bernard SA and SOGEA SA, both of France, Dyckerhoff and Widmann, West Germany, and Kiewit Construction of the US.

The east tunnel will carry the planned rail link to a small island in the middle of the Belt. From there a low-level rail-and-road link will be constructed across the western end of the Belt to Funen. Tenders for the West Bridge will be opened tomorrow.

The rail link will be completed in 1993 and the road link in 1996, when a high-level bridge, with a navigational clearance of 77m, across the eastern side of the Belt is completed.

Contractor for the Great Belt construction is a state-owned company, A/S Storebaeltsforbindelsen. Croydon-based consultants Mott, Hay and Anderson together with Danish Cowi Consult were retained as design engineers for the east tunnel.

US may compromise in EC meat imports row

By William Dawkins in Brussels

WASHINGTON might compromise in the row over the European Community's forthcoming ban on exports of US meat if the EC delays imposing its embargo, a senior US food official hinted yesterday.

The Community plans to refuse all meat produced with hormones from January 1. Washington has warned heavy retaliation will follow, which has provoked threats of counter-measures from the Community.

Miss Patricia Stolfa, deputy administrator for food safety and inspection services at the US Department of Agriculture (USDA), said yesterday: "If there was an extension of the implementation date, there might be some changes in our position".

The EC is convinced it is acting in consumers' interests, while Washington says scientific evidence proves US hormone-implanted meat is safe and that the ban is therefore unnecessary.

Both sides plan to re-open official discussions soon to try to avert a crisis.

Miss Stolfa suggested that the EC should delay the ban until publication of the findings of a European Parliament committee established to examine the question.

The panel, part of the Parliament's Environment Committee, expects to complete its work by February ready for debate by a full session of Euro-MPs a month or two later.

Miss Stolfa hoped the committee would recommend a "safe level" for hormone treatment. "We feel our products certainly meet the same level of safety achieved by European products," she said.

Eleven foreign bids for Kansai terminal

KANSAI International Airport Co. announced yesterday that 11 foreign or joint-venture design companies are competing for a contract to design the passenger terminal for the trillion (million million) yen (£4.5bn) airport in western Japan, AP reports from Tokyo.

Two foreign judges – a US and a British architect – will participate in an eight-member jury scheduled to announce the winning design for the airport's passenger terminal on December 9, company officials said. Four Japanese companies are also competing for the contract.

The airport project has been a source of friction between Japan and its trading partners, who have complained that foreign companies do not have the same opportunities to do business in Japan that Japanese construction companies enjoy overseas.

The foreign or joint-venture companies competing for the contract are: Naco-Taller de Arquitectura of Spain and the Netherlands; Planning Association Prof. Ungers-Airconsult of West Germany; and Jean Nouvel et Associes-Sarl and Piano Architecte, Building Workshop, Paris, both of France.

Design System and JD Architekten BDA, a Japan-West German joint venture and Foster Associates-Ohbayashi Corp., a Japan-UK joint venture, are also bidding on the project.

There is one US company, Bernard Tschumi, and four US-Japan joint ventures: I.M. Pei and Partners in association with theJapanese construction company Kumagai Gumi Co.; Ellerbe Becket-Parsons-Shimizu; Cesar Pelli and Associates-Takenaka Corp. and Kajima Corp.-Hellmuth, Obata and Kassenbaum.

Japan seeks change in trade with South Africa

More stable exchange rates may push Bonn to Number One position, Gordon Cramb reports

JAPAN HOPES this year to cede its position as South Africa's top trading partner. While arguing all along that this ranking for 1987 was an unsought by-product of the high yen, officials are now seeing patchy results from a campaign urging restraint on the Japanese private sector.

Although they are not willing to predict the outcome, there is optimism in Tokyo that more stable exchange rates, along with a relative increase which has been noted in South African business with Europe, could give West Germany the leading slot.

Latest monthly figures show that Japan's imports from South Africa for October were down by 30 per cent in dollar terms from levels a year earlier, while exports dropped by just under a quarter. Looked at in yen, the declines were slightly steeper, representing a marked intensification of the trend which for the first 10 months of this year has brought bilateral trade down to Y437bn (£1.9bn) compared with Y492bn for the same period of 1987.

"Since our campaign, the effect has been speaking for itself," says Mr Hideaki Domichi, head of the Foreign Ministry division in charge of South African relations.

In part the downturn may reflect Pretoria's own moves in August to redress a deteriorating balance of payments trend by increasing import duties and imposing credit curbs. Although some of these measures were directed at the motor industry, where Japan is a main component supplier, South Africa's general trading picture is not yet showing a drop in the arrival of foreign goods.

Tokyo's satisfaction in the latest figures overlooks the fact that for the year so far, Japanese exports to the republic remain ahead of 1987. A reduction in direct imports into Japan has, until last month, formed the actual brunt of the "restraint" in dealings which ministers have sought.

Monthly trade data from the Ministry for International Trade and Industry (Miti) show shipments for the first 10 months up by as much as 21.4 per cent if denominated in the US currency, and by a still significant 6.2 per cent on a yen basis.

The real test of mind for Japanese industry will therefore take place this month and in December, which is seasonally strong for Japanese exports.

The question will be less whether judicious – and fairly painless – import management can allow Japan to scrape back in at second or third place in two-way trade. Rather, the trial will be whether a rein on exporting, indicated in the October figures, becomes strong enough to cut into a market which last year was worth nearly \$1.9bn (£1bn) to Japanese industry.

Miti points out that equipment exports are in many cases on long-term contracts which cannot easily be terminated. These apply particularly in the automotive industry, where companies are reluctant to quantify their South African business beyond saying that they hope to comply with official guidelines to keep trade below 1987 levels. Such reductions are thought likely to be minimal, however.

Nissan Motor, for one, says it remains responsible under contract to ship components for assembly at the locally owned Nissan factory. It suspects that dollar revenues from this arrangement may even rise a bit this year.

The car maker notes that in the spring, however, it announced a halting of supplies for the Patrol, a four-wheel-drive vehicle which the South African armed forces had identified as a useful troop transporter.

The electronics industry is even more wary. Toshiba says only that it has "very limited trade, in line with government guidelines."

South Africa is one country with which Japan has a trade deficit. Of last year's \$2.3bn imports, agricultural produce such as fresh or canned fruit has been relatively easy to source elsewhere. The leading Japanese store chains were early and prominent in their responses to the ministerial calls made in February for a reduced trading role with Pretoria, and its goods largely disappeared from shelves of the main supermarkets.

Far less clear is what has changed in precious metals, where Japan has become a hugely significant buyer in recent years. Officials insist that they are able to book imports of gold and the current Japanese favourite, platinum, from their country of ultimate origin except when shipments come in highly processed form like jewellery.

Industry operators acknowledge, by contrast, that the commonplace routing of South African bullion through European and other centres is free of difficulties.

Platinum is a good case in point. South Africa accounts for 90 per cent of new supplies outside the East bloc, and Japan now absorbs at least half of Western demand. Maintaining access to the metal is particularly important, not only because there are even fewer large sources of supply than for gold, but also because of the varied industrial uses – such as catalytic converters for vehicle exhausts – to which platinum is put, in addition to its role as investment or adornment.

Johnson Matthey, the leading British-based metal trader, forecasts that Japan will import some 70 tonnes of platinum this year, a volume which has more than doubled since 1986. Mr G.G. Robson, author of the company's interim review on platinum prospects, said in Tokyo this month: "There is re-routing and re-sourcing. It is a matter for individual Japanese companies."

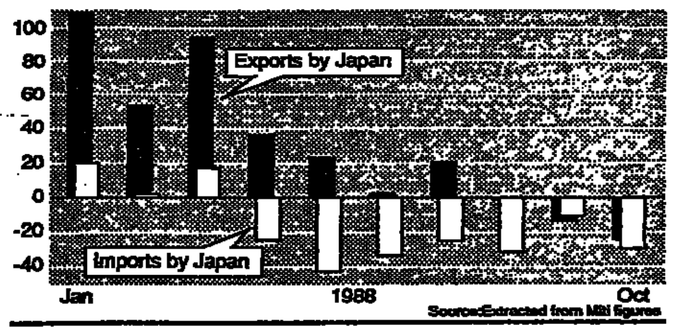
The pruning of Japan's trade relationship with South Africa has left one curious hybrid. The Johannesburg office of the Japan External Trade Relations Organisation (Jetro), which announced its closure in March only to admit four months later that it was staying put, has had its role redefined in a way which looks likely to benefit nobody.

The official reason for its existence now is to promote Japanese trade with the frontline states of Southern Africa rather than with the republic itself.

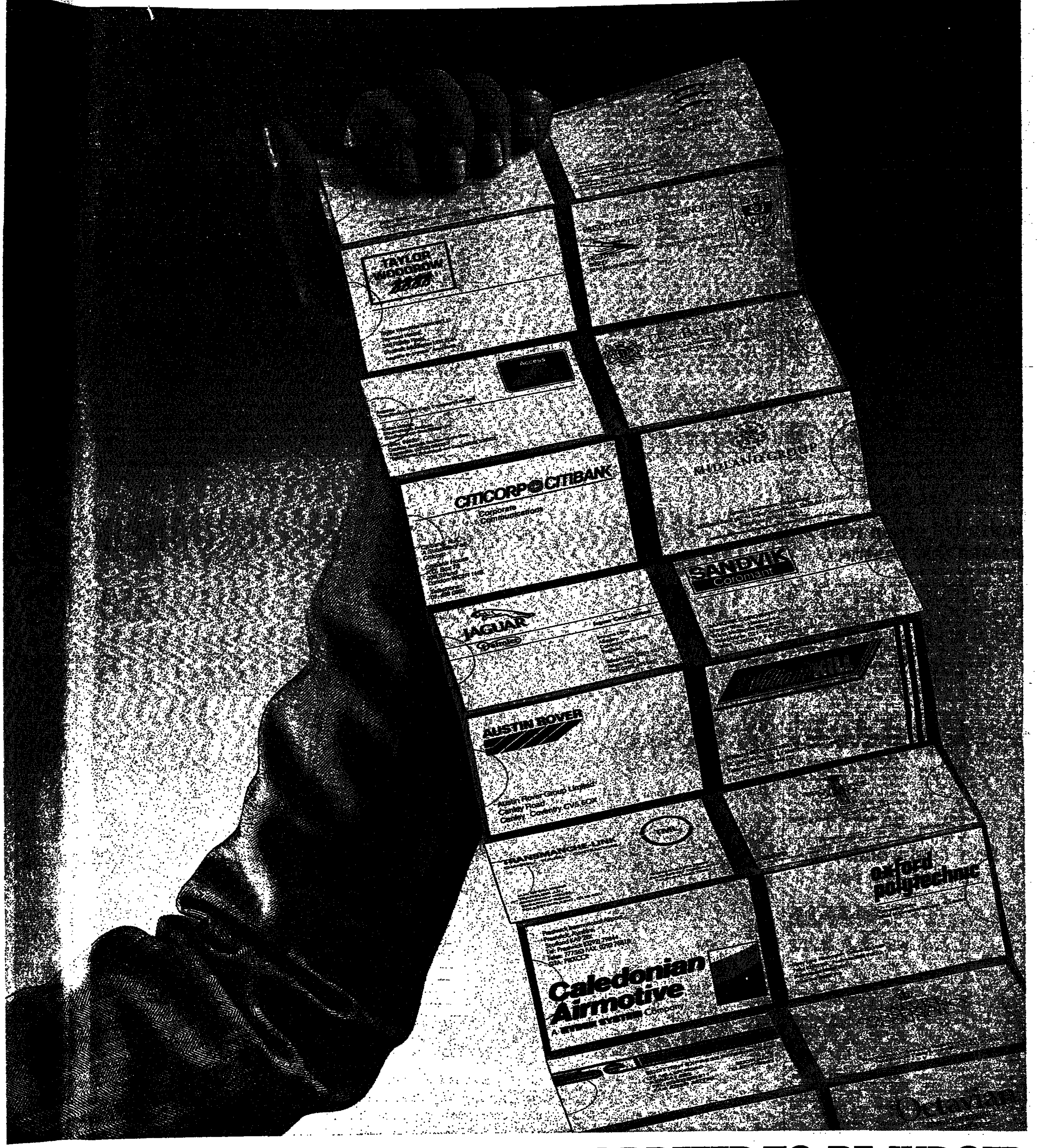
Asked whether Lusaka or Harare might not in that case be a more suitable base for the bureau's sole remaining emissary, officials in Tokyo professed bafflement.

Japan's trade with South Africa

% change in \$ terms



Source:Extracted from Miti figures



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AMERICAN NEWS

Dole pledges to back Bush in Congress

PRESIDENT-ELECT George Bush yesterday met Senate Republican leader Bob Dole, his former rival for the party's presidential nomination, whose help will be crucial in the White House's dealings with the Democratic-controlled Congress, Our Foreign Staff reports.

Before the meeting, which focused in part on how to trim the federal deficit, Mr Bush also announced that Mr Marlin Fitzwater would stay on as White House spokesman in his administration.

"I look forward to working again with Marlin," the Vice-President said during a visit to the White House briefing room, referring to the fact that Mr Fitzwater served as his press secretary between 1985 and 1986. "I think he's the best."

Mr Dole came to Mr Bush's office. "We're going to have a nice pleasant lunch, looking to the future [and] working together," Mr Bush said.

Mr Dole said he was proud of the President-elect. "We've got a lot of work to do for America," he added.

The Bush-Dole rivalry stemmed from the early 1970s, when then-President Richard Nixon ousted Senator Dole as Republican party chairman and named Mr Bush to replace him.

It intensified sharply during their battle in this year's Republican primaries, during which Senator Dole made no secret of his disdain for Mr Bush and once warned him to "stop lying about my record".

During the primary campaign, Mr Dole called Bush "a loser" with "a negligible record of assignable decisions".

Mr Bush's choice of Mr Fitzwater for the sensitive post of White House press secretary brought to four the number of top Reagan administration officials re-appointed. Attorney General Richard Thornburgh, Mr Lauro Cavazos, Education Secretary, and Mr Nicholas Brady, Treasury have also been asked to remain in their posts.

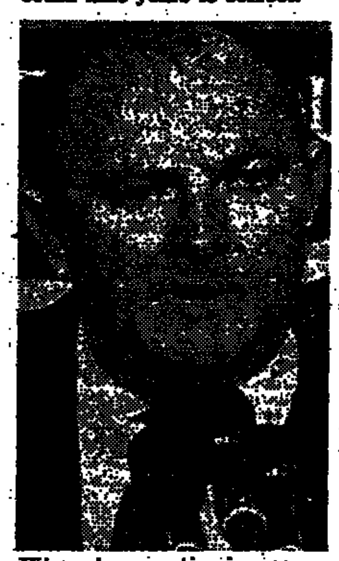
Mr Fitzwater was appointed chief White House spokesman in January 1987 after serving Mr Bush as vice-presidential spokesman for two years.

● Mr Frank Carlucci, Defence Secretary, said yesterday that, despite encouraging changes within the Soviet Union, the Nato military alliance must remain ready to defend against Soviet military might, Reuter reports from Washington.

"It would be ironic and dangerous if so-called Soviet 'reforms' ended up affecting Nato forces more than the Warsaw Pact's," Mr Carlucci said in a speech to a conference sponsored by the Institute of Foreign Policy Analysis.

It was co-sponsored by the Netherlands Atlantic Commission, the Eurogroup, the Western European Union and the North Atlantic Assembly.

Mr Carlucci said that while Soviet intentions could change quickly, the consequences of neglecting military readiness could take years to correct.


Fitzwater: continuing as White House spokesman

Opposition to tax rises affirmed by Brady

MR Nicholas Brady, US Treasury Secretary, said yesterday that President-elect George Bush opposes higher indirect taxes, such as excise taxes on cigarettes and alcohol, as well as increased personal income taxes, Reuter reports from Washington.

"No new taxes. No more taxes. That's what I saw reading the Vice-President's lips," Mr Brady said in a television interview.

Asked whether the financial markets were sceptical about Mr Bush's ability to reduce the $155bn US federal budget deficit, Mr Brady said the markets had fluctuated somewhat since the November 8 election but not more than usual.

He noted the dollar was higher now than it was a year ago against 15 out of 20 leading currencies. "Stability is what we're after and stability is what we've got," he said.

Mr Brady said cutting the deficit was important but reductions must come through revenues generated by economic growth and through spending cuts. He rejected a suggestion that the Reagan Administration's economic forecast for 1989 was too rosy.

Cuba competes for Caribbean tourists

Canute James reports on an ambitious scheme to win visitors back to its shores

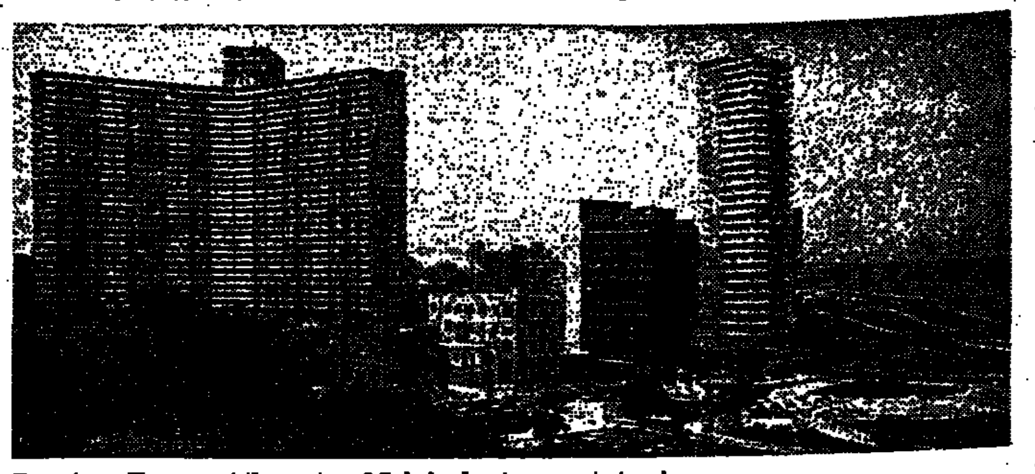
CUBA'S neighbours, whose economies are increasingly dependent on tourism, are watching with more than mild interest the implementation of an ambitious Cuban government programme to develop the industry.

Once the leading resort in the Caribbean, Cuba's tourist industry died with Fidel Castro's revolution and the US trade embargo. But hoteliers in the region now say, somewhat uneasily, that Cuba's plans appear to be an effort to reclaim its dominance.

In 1958, the year before the revolution, Cuba paid host to 350,000 tourists. Last year the volume of visitors reached 250,000, 10 per cent more than 1986, with earnings estimated by the government at $120m. Most of the tourists came from Canada and Latin America.

The Cuban government is spending the equivalent of $400m to develop tourism. The project includes building new hotels and rehabilitating existing ones, and constructing airports. The expansion is concentrated on Havana, the capital, and the resort of Varadero, just under 100 miles to the east.

The aim of the programme is to lift the volume of tourists to at least 600,000 in four years, increasing earnings to about $300m per year, according to Cuban officials.


Downtown Havana: at the centre of Cuba's plan to promote tourism

"We are aware of what is going on in Cuba," said Mr Jean Holder, secretary general of the Caribbean Tourism Research and Development Centre, based in Barbados. "I do not think the rest of the Caribbean sees the Cuban development as a threat to the market."

She added, however, that Cuba had an advantage over other Caribbean countries. "They can put any price they want to on their product and they have their own air transportation."

Cuba's renewed interest in tourism is the result of problems with other sectors of its economy. Its hard currency earnings from that part of its sugar which is sold to the west have been depressed by low prices. It has suffered similarly from low prices for its re-exports of Soviet oil.

In this context Cuban government officials say the industry can become a significant foreign exchange earner for the island. The government has set up an agency to oversee the development of the industry, and to negotiate with foreign companies interested in joint ventures in tourism.

Barring a dramatic change in relations between Havana and Washington in the next two years, Cuba's plans for tourism are being made without consideration of the US market. The Reagan administration has threatened to punish US nationals who visit the island as tourists and spend money there.

"The rest of the Caribbean must hope that there is no early detente between Cuba and the United States," said a Puerto Rican hotelier. "They will go there instead of coming here or to other parts of the Caribbean."

But Mr Victor Curtin, director of statistics for the Tourism Centre, suggested that the rest of the Caribbean will not be adversely affected if Cuba achieves its target of 600,000 visitors per year. "It is a big cake with 10 million visitors expected in the Caribbean this year."

In attempting to get a bigger slice of the cake the Cubans are hoping to gain from a Caribbean industry which, according to the CTRC, has grown by 40 per cent in the past decade, against growth of 25 per cent for the rest of the world. Tourism contributes 42 per cent of the region's gross national product.

North America has been the major market for Caribbean tourism, accounting for about two thirds of the volume, but arrivals from Europe are growing at about 20 per cent.

The CTRC reported that movements in exchange rates have made Latin American resorts more competitive than the Caribbean for the North American traveller. "In the winter most Caribbean destinations (except Cuba, the Dominican Republic and Haiti) are more expensive than the same holiday in competing destinations."

US merchandise exports maintain healthy trend

By Anthony Harris in Washington

THE continued healthy trend of US exports is confirmed by the quarterly merchandise trade figures published by the US Commerce Department yesterday.

They show that non-farm exports, excluding monetary gold, rose at an annual rate of 18.5 per cent between the second and third quarters. Farm exports were strongly affected by the drought: they fell by 0.5 per cent in volume but rose by 8 per cent in value between the two quarters.

The quarterly figures, which are published only on a balance of payments basis, exclude military trade and are adjusted for the timing distortions which can affect the monthly merchandise figures.

From April all merchandise figures will be reported on a balance of payments basis — the normal international standard — rather than on the customs basis used currently. On this basis imports include the costs of insurance and freight, but exports do not.

The import figures, which show a rise of only 1 per cent between the two quarters, reflect the strength of the dollar during the summer, when the orders will have been booked. In volume terms imports were up 2 per cent quarter to quarter, while non-farm exports, excluding gold bullion, rose by 3.65 per cent in volume — an annual rate of 15.6 per cent.

Gold exports fell by $1bn between the two quarters after Taiwan, under strong US diplomatic pressure, ended a programme of special imports designed to relieve upward pressure on the exchange rate.

Caracas rivals harden debt stance

AMID a carnival-like campaign, both leading candidates in Venezuela's presidential elections are pledged to boost the country's influence in Latin America and harden its stance on the foreign debt, Reuter reports from Caracas.

In public opinion polls, former President Carlos Andres Perez, the candidate of the ruling centre-left Democratic Action party, leads by 12 to 19 points over his closest rival, Mr Eduardo Fernandez of the Christian Democrats.

But Mr Fernandez, 48, dubbed "The Tiger" for his image of youthful aggressiveness, says he is confident of an upset victory on December 4.

The victor will succeed President Jaime Lusinchi, whose cautious diplomacy and sound debt repayment record was aimed at preserving economic stability amid a 48.5 per cent drop in the price of oil, Venezuela's main export, since he took office in 1984.

Union attacks Brazil basic wage proposal

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S leading left-wing trade unionist has severely embarrassed Congressional leaders by rejecting a proposal to double the national minimum salary — a key reference point for wages.

Mr Jair Meneguelli said his Central Unico dos Trabalhadores (CUT), the more left-wing of the two major union confederations, would never consider such a move.

"Though we think the [value of the] minimum salary is ridiculous, we have never thought it possible to double or triple it overnight because the economy could not support that," the CUT president told Brazilian journalists during a tour to study anti-inflationary measures in Israel.

His statement confirms the views expressed by the right-wing Liberal Front Party (PFL) that doubling the basic monthly pay rate from its current Cz30,800 ($54 at official exchange rates) would have a devastating effect on inflation and unemployment.

Millions of Brazilians are paid below the minimum rate, but many of those on the bottom salary would be thrown out of work or shifted to the black economy by employers seeing to evade the increase.

Congressmen affiliated to the dominant Democratic Movement Party (PMDB) had nevertheless appeared ready to ignore warnings from the Finance Ministry that the move would be "disastrous" and press ahead with the rise.

Mr Meneguelli's intervention now looks likely to squash the plan, leaving a government proposal for a 12 per cent real increase and subsequent monthly 3 per cent rise the most plausible outcome.

Analysts were arguing yesterday, however, that the incident serves as a vivid illustration of the seriousness of Brazil's political and economic crisis.

"Either the Congress is simply ignorant of basic economic laws," said one economist, "or they are so cynical they will do anything for short-term popularity. Both possibilities are appalling."

London nurses in 17 hospitals join protests

By Jimmy Burns, Labour Staff

THOUSANDS of nurses yesterday took part part in a day of protest organised by Nupe, the public services' union, as part of the dispute over implementation of their clinical regrading scheme.

Union leaders estimated that nurses in up to 17 London hospitals joined the protest, which included leafleting, a mass rally and strikes which fell short of failure to provide emergency cover.

The action was strongly criticised by Mr David Mellor, the Health Minister, who repeated the Government's allegations that some nurses were being manipulated for political ends by union officials.

At the same time the Government announced that Mr Kenneth Clarke, Health Secretary, had agreed to meet the Royal College of Midwives to discuss individual cases affected by the regrading exercise.

He will also explore ways in which appeals against gradings can be speeded up.

The move came as 44 midwives at North Middlesex Hospital, London, signed a letter of resignation, expected to be implemented in a month's time, in protest at their regradings.

Ms Sharon Ramsey, one of the midwives, who are all members of the Royal College of Midwives said yesterday: "It is a tragedy that midwives should be forced to take such extensive action. But if we don't make a stand now, we would not be caring about mothers in the future." The Royal College is constitutionally against going on strike.

According to Ms Ramsey, she and the other midwives had received "many letters of support from all over the country."

Yesterday's developments amounted to some of the most public and vociferous displays of opposition to the Government so far in the current round of the nurses' dispute.

But Government officials are hoping that the increases from the regrading awards will start flowing into nurses' pay later this week and that this will take some of the sting out of the current protest.

The move to start separate talks with the Royal College of Midwives meanwhile follows a similar move by the Royal College of Nursing, which also stands by a no-strike policy. The RCN, unlike Nupe and Cohse, the health unions also involved in the dispute, is not affiliated to the Trades Union Congress. It may have the effect of provoking further divisions among health unions over the nurses dispute.

The Government said last week that negotiations with the nursing staff negotiating council would not resume while industrial action, including working to grade, continued.

Biotech venture fund has to scale down

By Charles Batchelor

CHARTERHOUSE, the merchant banking and financial services group, has been forced to scale down a proposed £40m venture capital fund because investors are currently more interested in backing more profitable management buy-outs.

The Second Charterhouse Venture Fund was launched in March with the aim of raising £40m to invest in biotechnology and healthcare businesses.

It yesterday announced it has closed the fund after raising just £33m though a further £2m may come from another investor.

Mr John Walker, director of investments said: "If people like us with a reasonable track record are finding it difficult then people who are trying to move into virgin territory or with less of a track record will not get it together."

Charterhouse's experience in raising venture capital funds provides a graphic illustration of a development which has become of increasing concern to venture capitalists in the past two years.

Venture capitalists tripled the amount of funds which they raised in 1987 to £708m and are expected to match this figure in 1988 despite the stock market crash of October 1987.

However, increasing amounts of venture capital have been going to buy-outs rather than to start-up and early stage ventures.

Ernest Saunders leaving court in London yesterday

THE SEVEN men accused of criminal offences in the Guinness affair made their last appearance at Bow Street magistrates court in London yesterday, Raymond Hughes writes.

The case has been formally transferred to the Old Bailey, where the trial is expected to last six months or more. The hearing is not expected to begin before next summer.

There is likely to be a series of pre-trial hearings, the date of the first having been provisionally fixed for December 16.

As he left the court one of the seven, Mr Ernest Saunders, the former chairman and chief executive of Guinness, said: "I have been made a scapegoat by the prosecution and a coalition of other interested parties.

"I will not be a scapegoat. I will prove my innocence. But I demand a fair trial, not a show trial."

Mr Saunders, who refused to say who formed the "coalition", is the only one of the seven not legally represented. He has three times been refused legal aid.

In addition to Mr Saunders those accused are:

Mr Gerald Ronson, chairman of the Heron Corporation, Sir Jack Lyons, the millionaire financier, Mr Roger Seelig, the former Morgan Grenfell corporate finance director, Lord Spens, former head of corporate finance at the Henry Ansbacher merchant bank, Mr Anthony Parnes, a former City stockbroker, and Mr David Mayhew, senior corporate finance partner of stockbroker Cazenove & Co.

Mr Saunders faces 46 charges, Mr Ronson 10, Sir Jack Lyons 11, Mr Seelig 18, Lord Spens four, Mr Parnes 14 and Mr Mayhew four. All are on £500,000 bail.

Mr Seelig had faced 19 charges but one, alleging that he falsified a letter from Ansbacher, was withdrawn by the prosecution yesterday.

The seven were remanded on £500,000 bail to appear at the Old Bailey "as and when required" on the same terms as before.

Lawyers for Mr Mayhew and Lord Spens applied unsuccessfully for their bail to be made unconditional.

The case, the charges in which relate to Guinness's takeover battle for Distillers, was moved from Bow Street under new provisions enabling cases of serious fraud to be transferred to the Crown Court without going through the usual committal for trial procedure before magistrates.

Survey finds 5% of English homes are unfit for habitation

By Andrew Taylor, Construction Correspondent

ABOUT 900,000 homes in England – nearly 5 per cent of the housing stock – have been classed as unfit to live in by the Government's latest survey of housing conditions.

The English House Condition Survey of 18.8m houses and flats conducted in 1986 and 1987 said the main defects were dampness, inadequate cooking facilities and general disrepair.

Lord Caithness, environment minister, said the figures represented a slight improvement on a survey in 1981. The House Condition Survey is conducted every five years.

The Association of Metropolitan Authorities said, however, that the latest survey showed the government was making little impact in improving housing conditions.

The association said its own study, based on government statistics, revealed that £85.6bn needed to be spent on repairs and meeting urgent housing needs.

This compared with a proposed housing investment programme allocation for local authorities of £920m in 1989/90. "At that rate it would take 44 years to bring housing up to basic standards," said Mr Clive Betts, chairman of the association's housing committee.

Lord Caithness said the results of the English House Condition survey of 30,000 houses and flats between September 1986 and June 1987, were encouraging.

He said less than 3 per cent of the housing stock lacked basic amenities in 1986 compared with 5 per cent in 1981. The proportion of homes in serious disrepair, however, had remained broadly the same at about 6 per cent.

Nearly 75 per cent of homes had central heating compared with 57 per cent in 1981 and 70 per cent had loft insulation compared with 61 per cent in 1981.

The ratio of privately rented homes unfit to live in or lacking basic amenities was five times higher than for privately owned or council-owned homes.

Lord Caithness said the Housing Act, which became law this month, would make it easier for private landlords to charge a market rent and earn a better return. This would encourage them to spend more on repairs and improvements.

Proposals announced last week in the Queen's Speech would also allow authorities to make home improvement grants to people in most need. The amount of grant would take into account the ability of individuals to pay for the work themselves, making more money available to poorer people, said Lord Caithness.

He said half of all homes lacking amenities and one third of those in unfit housing received net annual incomes of less than £3,000 a year in 1986.

English House Conditions Survey, 1986. HMSO £20. Housing Facts. Association of Metropolitan Authorities, 35 Great Smith Street, London SW1 3BJ. £5

Kenneth Baker: move towards better qualifications for young people

More pupils stay on at school

By David Thomas, Education Correspondent

THE PERCENTAGE of people staying in full-time education beyond the age of 16 has continued to increase, according to figures released by the Government yesterday.

Britain's failure to keep as many young people in full-time education as most other industrialised countries has long been recognised as a key weakness of its eductional system.

Mr Kenneth Baker, the Education Secretary who issued the figures in a parliamentary answer, said: "This should lead to youngsters being better qualified for their working lives."

The figures point to a continuing small improvement in the trend in 1988 compared with last year, but a sharp change from a decade ago.

Almost a third (32 per cent) of 16-18 year olds were at school or in further and higher education this year, as against 31 per cent in 1987 and 25 per cent in 1975. In addition, 15 per cent took part in the Youth Training Scheme this year and 12 per cent last year.

Similar trends were recorded when 16-year, 17-year and 18-year olds were looked at separately, but there remains a marked drop-out rate from full-time education during those three years.

Thus, this year 47 per cent of 16-year olds were in full time education, falling to 33 per cent of 17-year and 18 per cent of 18-year olds.

● A group of small fee-paying schools are to press the Government in the new year to be allowed to opt into the state system.

Mr Gerald Smith, headmaster of an independent school in Northamptonshire and an organiser of the move, said it would encourage small independent schools to spring up in areas of social deprivation such as the inner cities.

The plan would be for such schools to assume the status of opted out schools within the state sector.

Mr Smith hoped that representatives of 40 small fee-paying schools would attend a conference on the subject early next year.

Farmers' grants to be pollution-linked

By Bridget Bloom, Agriculture Correspondent

THE Government is to abolish its capital grants scheme for farmers and switch aid into schemes to help them combat agricultural pollution.

The change, which will take full effect only in February, will virtually end the system of grants linked to improving agricultural production which has existed since the Second World War.

The abolition of the Agricultural Improvement Scheme was announced yesterday by Mr John MacGregor, Minister of Agriculture. He called it a logical step in the European Community's drive to control surplus farm production.

It means that farmers will no longer be able to claim grants for erecting farm buildings, constructing farm roads, or installing land drainage systems or water reservoirs.

Farmers will instead be encouraged to apply for money to help them install facilities to treat, store or dispose of the effluent from animal slurry and from silage, the grass-based feed increasingly used by livestock producers.

Mr MacGregor acknowledged that such effluents were an increasing source of water pollution and that the Government was planning regulations to govern their control.

The Minister refused to be drawn on the financial implications of the policy switch, although he said that up to £50m would be available for the pollution control grants over the next three years. This compared with spending of £17m over the past two years.

Officials said they thought the capital grants budget would remain "broadly stable."

At their peak in the middle of the 1980s, capital grants were running at some £240m a year. They have gradually declined, however, as the drive has been stepped up to reform the Common Agricultural Policy and to do away with some of the more environmentally harmful farming practices. Last year capital grants were just under £100m.

The old scheme was discontinued from midnight last night but the new one must be negotiated with the European Commission in Brussels and will not therefore be in force before February.

Powers of investigators limited by judicial decision on FSA

By Raymond Hughes, Law Courts Correspondent

THE POWERS of inspectors appointed under the 1986 Financial Services Act to investigate investment business carried out by individuals have been seriously circumscribed by a decision of the High Court.

Two judges ruled yesterday that a businessman's activities before the Act came into force cannot be the subject of investigation by the inspectors.

Such activities, they said, were not "investment business" within the meaning of the Act.

Lord Young, the Secretary of State for Trade and Industry, may appeal against the ruling.

The challenge to the inspectors' powers was made in a judicial review sought by a well known figure in the City of London financial district whose identity was not disclosed during the court hearing.

Lord Young appointed inspectors to investigate the affairs of the businessman – referred to as "R" – in May. "R" challenged the validity of the inspectors' demand for documents dating back to February 1984.

The dispute hinged on Section 105(1) of the Act which refers to the Secretary of State's powers to investigate "the affairs . . . . of any person so far as is relevant to any investment business which he is or was carrying on or appears . . . to be or to have been carrying on."

Under section 105(4) the person under investigation can be required to produce documents.

Lord Justice Mustill, sitting with Mr Justice McCowan, said that "R" argued that he had not at the material time carried on "investment business" within the meaning of the Act and that no activities carried on before "the appointed day" – December 18 1986, when the relevant provisions of the Act came into effect – were capable of amounting to investment business.

"R" contended that the concept of "investment business" did not exist before the 1986 Act, so it was impossible for anyone to have been carrying on such business before the Act.

He also argued that, even if investment business was capable of existing before the Act, Parliament could not have intended the section 105 powers to be exercised in relation to pre-Act business.

Lord Young contended that "investment business" was simply a new label for an old activity; that the kind of transactions in issue had gone on before the Act as well as afterwards; and that the language of the section showed it was capable of dealing with the past.

"To my mind," Lord Justice Mustill said, "section 105 just will not work if it is read as applying to pre-Act transactions."

However, he said, it was necessary to examine the Act as a whole to see whether Parliament could have intended to confer powers to investigate transactions which were over and done with before the Act came into force.

The Act created "an elaborate new structure" to come into effect in the future to replace the much less ambitious 1958 Prevention of Fraud (Investments) Act.

While not conclusive, the judge said, that did suggest that it was necessary to look with care to see what reason there might have been for giving section 105 "this singular effect."

There seemed to be nothing elsewhere in the Act which might furnish such a reason. The powers of investigation must be there for a purpose. One possible reason for making them work retrospectively might have been to give the Secretary of State means to discover whether an applicant for authorisation to carry on investment business was a fit person. That, however, had been catered for elsehwere in the Act.

"I can see no other reason why the Secretary of State should have taken the powers created by section 105 except to enable him to police the proper working of the scheme created by the Act and to administer the various sanctions conferred by the Act for infractions of that scheme," the judge said.

Those sections, like the scheme itself, were all concerned with events happening after the time the provisions came into force.

Lord Justice Mustill said that the Secretary of State might, in appropriate cases, need to examine what happened in the past in order to decide what course he should take in the future. This accounted for the words "was" and "to have been" in the section.

"I do not, however, see any reason why Parliament should have given the Secretary of State powers to investigate putative investment business before the Act, to underpin the supervision of a scheme and the application of sanctions to enforce it, when the scheme only began to come into existence on the first of the appointed days," he concluded.

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UK NEWS

Switching on to paperless trading

Terry Dodsworth examines the implications of a booming business

EVEN in Britain's growing economy, there are few businesses which can claim that their rate of activity is doubling every year. But this is happening in the field of electronic data interchange, the technique of conducting trading transactions without the use of paper.

In Britain, which leads the EDI field in Europe, the industry calculates that about 1,600 companies are using the process in one way or another. A year ago, there were only 800 users.

The implications of this rapid growth are far reaching. It suggests, for a start, that after several years of patient groundwork and some scepticism, EDI is at last beginning to establish the kind of momentum in the market which will turn it into an irresistible force.

Like the telephone or a facsimile machine, EDI cannot work without the existence of two consenting partners. Even these individual partnerships may make only limited business sense. But at a certain point in the evolution of the market, it will be essential for everyone to link into the system.

Second, if EDI takes off in this way, it will change business relationships in a number of ways, some of which may not be apparent at present. Among the immediate effects already documented by companies which have installed EDI are:

● More efficient ordering and invoicing procedures. Companies claim that electronic messages are intrinsically less error prone because they involve less human intervention than conventional letters.

An order in EDI format, for example, is keyed into a computer by, for instance, a retailer, and then sent directly into the supplier's computer without having to be re-keyed. This re-keying process normally has a high error rate.

● Improved stock management. The electronic messages allow both customer and producer to record more precisely where goods are in the supply chain, an important benefit in a period when companies are moving to just-in-time inventory management techniques.

● Cost savings. Most companies claim some direct savings on postage, but there are other less tangible cost reductions to be gained from the fall in paperwork, the standardisation of procedures and increases in flexibility which allow them to chase more business without large increases in their operating overheads.

● Competitive advantage. With some big companies insisting on EDI as a condition of doing business, suppliers that are quick to respond can seize an advantage over their rivals.

These are a few points raised in a recent study of the industry in the UK by the Langton consulting group. The Langton report underscores the development of paperless trading systems in the UK with a large number of case studies from companies as diverse as British Steel, Texas Instruments, Littlewoods, W.H.Smith and Minster Insurance.

All of these groups are clearly committed participants in the EDI movement, though none of them understimates the difficulties of being a pioneer in the business.

Their case studies also leave a number of questions unanswered. Take, for example, the issue of competitive advantage. Logically, companies which are installing EDI can expect to gain a lead over their rivals only for a short period, since EDI, by definition, can work really efficiently only when it is used throughout business.

This leads to the question of who wins from the system. One set of winners will be the operators of the electronic networks which help companies to exchange messages – companies such as Istel or INS in the UK; another will be the providers of the software to link internal corporate computer systems into the networks; and a further one will be the telephone companies that provide the lines.

A final set will be the companies and individuals which achieve a reduction in costs. Both suppliers and customers which move quickly into paperless trading ought initially to win from this.

In the longer term, though, if the market works as it should and everyone is operating with roughly comparable EDI systems, prices ought in general to be driven down by the rise in productivity and the competition between these different companies. So the general public ought to reap some gains as well.

Storecard users 'more cautious over credit'

By David Barchard

HOLDERS of storecards issued by retailers appear to be growing more careful about using their cards for credit according to figures released yesterday by the Retail Credit Group.

The RCG, which represents nine leading retailers, including Marks and Spencer, Next, and Dixons, says that while purchases using storecards during the March to September period were 35 per cent up on the same period of 1987 – suggesting that shoppers were making increasingly active use of their cards – the volume of credit outstanding on them was £1.12bn, or only 12 per cent up on a year ago.

Credit outstanding per account actually dropped from £166in September 1987 to £157 a year later, because of the growth in the number of accounts.

Total outstanding credit through the retailers' cards grew by only 1 per cent during the six summer months this year. This contrasts strongly with the Department of Trade and Industry's *seasonally* adjusted measure of outstanding consumer credit which rose by 8.2 per cent in the same period.

The downturn in the growth of credit on storecards appears to be largely unconnected with recent trends in the economy. Outstanding credit per account has been falling since 1986 and it appears that shoppers may be deliberately restricting the use they make of storecards for credit purposes.

One reason for this could be that consumers are becoming more sensitive to the high interest rates charged by many storecard issuers, typically ranging between 30 per cent and 40 per cent.

UK seeks worldwide pact to protect ozone layer

By John Hunt, Environment Correspondent

A WORLDWIDE agreement to protect the ozone layer will be sought by the British Government at the international conference to be hosted by Mrs Margaret Thatcher, Prime Minister, in London next March.

Mrs Virginia Bottomley, Minister for the Environment, yesterday called for a redoubling of efforts to halt further ozone depletion.

Over 40 countries have now signed the Montreal Protocol on protecting the ozone layer. But Mrs Bottomley said that this was not nearly enough.

"We cannot delude ourselves that action by the UK or the European Community or even all the richest countries of the world today will save the ozone layer," she said.

"We need to secure a clear commitment from all world governments, including those who have not yet signed the protocol."

She said that the conference to be hosted by Mrs Thatcher would show how this could be achieved in practice.

Britain was *particular* concerned about the 2bn people of India and China, countries which had not signed the protocol. If they were to use refrigerators and air conditioners containing chlorofluorocarbons (CFCs) in the way they were used in New York then the action of other countries to protect the ozone layer would be put at risk.

CFCs are believed to cause the thinning of the ozone layer in the upper atmosphere. This *contributes to the overheating* of the earth's climate.

The minister said that "realistic pricing" of fossil fuels must be pursued as a sound basis for encouraging energy efficiency.

UK NEWS

Miners sign first deal for six-day flexible working

By John Gapper, Labour Correspondent

BRITISH COAL yesterday signed its first six-day flexible working agreement.

The agreement with the Union of Democratic Mineworkers – which broke away from the National Union of Mineworkers during the year-long miners' strike in 1985 – covers the new £471m Asfordby colliery in Leicestershire, in the East Midlands of England, which is due to start production in 1991.

British Coal said the deal would raise the pit's output by a third.

Without it, it said, foreign competition would have forced it to cancel the pit's construction at a cost of £120m.

The agreement is the first application of a framework agreement reached with the UDM in August.

It was signed as British Coal announced it wanted to close two smaller pits in South Wales, Marine and Cynheidre, with a loss of about 1,400 jobs. It said there would be no compulsory redundancies, but most of the miners are expected to leave the industry and take advantage of higher redundancy payments that will operate from December.

Asfordby is now expected to produce 400m tonnes of coal a year compared with about 300m tonnes under existing five-day working patterns. The first miners are likely to be recruited in about a year's time.

British Coal has been pressing for flexible working deals at a number of sites, arguing that they are needed to justify the heavy capital costs of new pits or big re-developments of existing collieries.

The National Union of Mineworkers has rejected a flexible working deal for the Margam drift mine in South Wales and the UDM is currently trying to recruit miners in South Wales in order to be able to sign a Margam agreement.

Under the UDM framework agreement, pit faces are worked by four teams of miners instead of the current three.

Each miner works six slightly longer shifts a week for three weeks and takes the fourth week off.

Although weekend mining of coal based on overtime working has been spreading in various coalfields, the Asfordby deal is the first formal agreement on more intensive working, and is likely to put the NUM under further pressure.

Under the deal, the UDM will have sole negotiating rights at Asfordby for 10 years from the start of coal production.

Mr Len Harris, British Coal's Nottinghamshire area director, said he would have no objection to employing NUM members, but they would have no bargaining rights.

Mr Harris the deal would raise the number of miners employed at Asfordby by 1993 from 1,100 to 1,425. It would also increase their annual wages by about £1,000.

Six-day working would now be required for any new pits in the Nottinghamshire coalfield.

Apart from Margam, British Coal is pressing for six-day flexible working at a number of potential sites.

It has said it would require it for the proposed £400m Hawkshurst Moor pit in Warwickshire.

Ryan's Dublin mystery

Kieran Cooke on the Irish priest's disappearance

THERE was high drama in Dublin yesterday as Father Patrick Ryan, the Irish Roman Catholic priest wanted by the British in connection with a series of IRA murders and bombings, disappeared from an exclusive clinic on the outskirts of the city.

Fr Ryan had been at the clinic recovering from a 22-day hunger strike he had undergone in a Brussels jail to protest against being extradited to Britain. He had been flown back to Dublin on Friday and was said to be very weak. But it seems that the 58-year-old former missionary was able to check himself out of his clinic at lunch time yesterday.

His solicitor, Mr Elio Malocco, would not reveal Fr Ryan's whereabouts last night, but said he was staying with a religious order. He said the priest had never been a member of the IRA.

The disappearance of Fr Ryan is another twist in an already bizarre story. Yesterday, Mr John Murray, the Irish Attorney General, began considering a British request for the extradition of Fr Ryan.

Fr Ryan is not wanted on any charges in the Irish Republic and is technically a free man. However, the British extradition warrants presented to the Irish authorities allege that he conspired to commit murder and cause explosions in Britain between 1975 and 1988.

The British charges are believed to date back to a

Fr Ryan: technically free

series of IRA bombings in Britain in the early 1970s. In particular it is alleged that timing devices found in Fr Ryan's possession when he was arrested in Switzerland in 1975 were identical to those used in earlier IRA bombings in Britain.

The Swiss subsequently released Fr Ryan. However, it is clear that the priest has been under close surveillance by the British for several years, mainly in Europe, and has been high on the British wanted list.

Under new Irish extradition legislation, the Irish Attorney General must judge whether there is a "sufficiency of evidence" in the warrants before proceeding with court action authorising extradition.

Official sources say the Fr Ryan case is extremely complex and it will take the Attorney General at least a week to decide whether to proceed with court action. If this were the case, Fr Ryan would first have to be found.

However, it is felt unlikely that extradition proceedings will go ahead in this case. The British charges against Fr Ryan are felt to be imprecise and not sufficiently specific. Conspiracy charges are rare in the Irish Republic and it is felt that the courts would require more specific evidence of Fr Ryan's involvement in IRA activities.

Meanwhile, an air of mystery surrounds Fr Ryan himself. Ordained in 1954, he worked in Britain, Tanzania, the US and Ireland before suddenly leaving his Dublin based Pallottine Order in 1974. The Roman Catholic church in Dublin says he was never removed from his priestly duties.

Fr Ryan is said to have carried out various Irish Republican fund-raising activities, particularly at the time of the IRA hunger strikes in the early 1980s.

While the British authorities seem to believe Fr Ryan had close IRA links and was a key figure in IRA operations, Republican sources indicate that Fr Ryan had not been trusted by the IRA hierarchy.

Fr Ryan was arrested in Brussels last July on charges of having a false passport. The Belgium authorities turned down a British extradition request and flew the priest to Dublin in a special military aircraft last Friday.

Virgin 'owed £2.6m by Super Channel'

MR RICHARD Branson's Virgin Group is owed a total of £2.6m by Super Channel, the satellite television station which recently came under the majority control of Italy's Beta Television.

Yesterday's report in the Financial Times had implied the amount owed was significantly higher.

Ms Marialina Marcucci, the Beta Television executive, last week claimed that Virgin had been seeking "nearly £6m from Super Channel."

Last night, upon hearing that the amount of debt owed was actually £2.6m, Ms Marcucci said she was "delighted."

TECHNOLOGY

Bugs that eat through to the golden centre

Kenneth Gooding looks at the use of bacteria for extracting gold from difficult ores

Thiobacillus ferro-oxidans is a genuine gold bug, one which has been nibbling away at the fringes of the mining industry for years without much success. But at last there are some signs that he and his cousins might make an impact.

Several projects are in place – in South Africa, North America and Zimbabwe – which aim to prove that T. ferro-oxidans and biotechnology have a great deal to offer the gold mining industry.

The idea is that bacteria can be used to liberate gold from difficult ores, which give up very little of their metal when treated in the conventional way with cyanide.

In many gold deposits the precious metal is mixed with iron sulphides – pyrite and arsenopyrite minerals. The problem is that the cyanide cannot dissolve the gold protected inside these so-called "refractory" ores.

This applies to most of the ore in the Carlin Trend in Nevada, the richest gold deposit outside South Africa. Newmont Gold, which has the rights to much of the Carlin metal, is considering using bacteria when it expands gold recovery capacity in the early 1990s.

Up to now two methods have been used to break down or oxidise the sulphide ore: pressure leaching and roasting. Both are expensive, and roasting has the added drawback of sending the liberated sulphur and arsenic compounds up the chimney. If they are not captured, this produces acid rain and poisons the countryside.

Biotechnologists say that a better, pollution-free solution is to set bacteria loose to free the gold.

Bacteria were among the first forms of life, so they have had a very long time to diversify their diets and lifestyles. Different types can live with and without air, at temperatures ranging from freezing to boiling and can eat such surprising substances as oil and rock.

Among the bacteria which enjoy a diet of iron sulphide is the aforementioned T. ferro-oxidans. These need air and heat to chew away at the crushed ore and perform best at a temperature of about 30 deg C. Gentle agitation is needed to keep them working evenly through the mixture.

After the bacteria have completed the oxidation, the final residue is washed to remove the sulphuric acid, which they have produced, and made alkaline for conventional gold extraction with cyanide.

Any arsenic released is in solution and is then precipitated as basic ferric arsenate, a non-toxic salt which can be dumped safely.

Unfortunately, it is not quite that simple. To begin with, not all ores are the same and the bacteria have to be trained or conditioned to a particular ore sample before they will break it down.

Then the bacteria might take several days to finish the job, whereas a roaster completes it in a few hours. But it can take up to six days to extract the roaster calcine, the residue from the reaction.

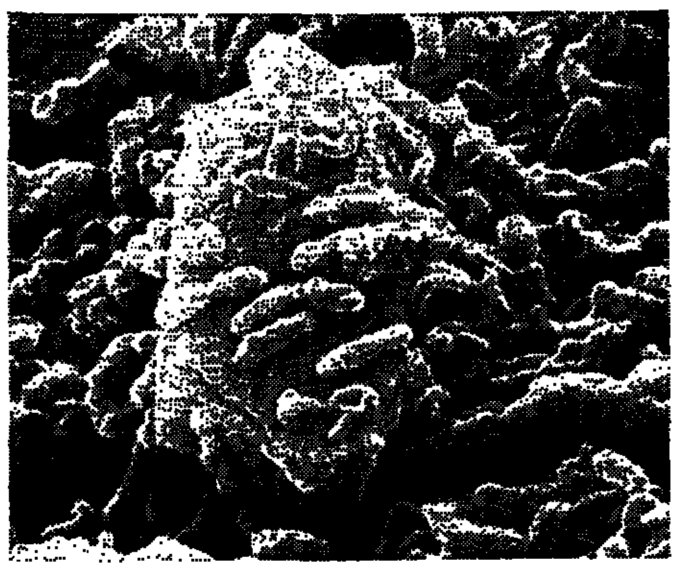
An added problem with conditioning the bacteria is that the "wild" type of T. ferro-oxidans has a low resistance to arsenic, so biotechnologists have been busy developing strains which are less so. Among them is Sulpholobus, which might prove much more tolerant. But some experts say that it too has its drawbacks.

Promoters of biotechnology also have to face the fact that getting a process to work in a laboratory is not the same as making it work on a large scale in the mining industry.

Bob Handfield, vice president of Giant Bay Resources, a Canadian company which has been among the pioneers of biotechnology in gold mining, says: "The mining industry still looks on bio-leaching as unproven technology. It is Catch 22 for us. Until someone has a large operating bio-leach plant treating 100 tonnes of material a day, there will be a great deal of reluctance to accept it as a real alternative."

That time might not be far away, however. In South Africa, Gencor (General Mining Union Corporation) is almost certain to replace ageing roasters at its Fairview Mine with a bacterial oxidation plant to process about 1,000 short tons of concentrate a month or 20,000 short tons of ore.

Gencor is generally acknowledged to be the first to get a commercial bacterial oxidation plant into operation. It introduced one at the Fairview



Thiobacillus ferro-oxidans breaking down pyrite, photographed with an electron micrograph giving 7,500 times' magnification

Mine in the eastern Transvaal where the gold is in a particularly difficult arsenopyrite deposit.

"We can now say bacterial oxidation is definitely working," says Peter van Aswegen, Gencor's consulting metallurgist. Gencor has been working on the process since 1984 and for the past two years a 10-tons-a-day plant has been operating well, with only minor mechanical problems, he says.

The Gencor project has also disproved some widespread misconceptions about the gold bugs, for example that they have to be kept as close to the ideal working temperature as possible. Gencor aimed to keep the temperature in the Fairview tanks at 40 deg C, but it has been down to 36 degrees and up to 45 degrees without ill effect. "Activity declined but the bacteria were not killed off. They simply went dormant," says van Aswegen.

His opinions are echoed by Handfield: "It is not true that the bacteria can be upset by slight changes in the system – either temperature or environment. Neither do you need a group of PhDs standing around to run the plant."

Van Aswegen confirms that the plant can be operated "in the bush" by unskilled people. "No sophisticated, computer-controlled equipment is required. It is all done manually."

As for expense, he reckons that the running costs are about the same as for a roaster. Without giving away Gencor's secrets, he illustrates the differences in capital costs by saying: "If you call the capital cost of a roaster 1, then the cost of an autoclave for pressure leaching is 1.3 and the cost of bio-oxidation is 0.7." Essentially, then, bacteria save money but they are not cheap.

They do have the advantage, however, of giving a much better recovery of gold from specific ore types. At Fairview recovery improved from 20 per cent of the gold to between 92 and 97 per cent.

Meanwhile, Giant Bay, in partnership with Wright Engineers, hopes to bring a 250-tons-a-day bio-leaching plant into operation early next year. It is being built at the Congress gold project, a joint venture between Levon Resources and Veronex Resources at Goldbridge, British Columbia. The scheme will need four tanks, each 21 ft in diameter.

Another Canadian company, Coastech Research, like Giant Bay based in Vancouver, is introducing bio-leach technology at the Tonkin Springs project in Nevada operated by US Gold. Four 50 ft by 40 ft tanks will treat the sulphide portion of the Tonkin ore, saving US Gold about $45m, according to the president, Bill Read.

In the UK, Davy McKee (Stockton), part of the Davy Corporation, has been working with the Mineral Exploitation Department of Cardiff University since 1982 to develop strains of T. ferro-oxidans.

They have been using bacteria extracted in the late 1960s from an old Welsh gold mine. Now the bacteria will be put to work in Zimbabwe at the Broomstock mine near KweKwe, owned by Boulder Mining of Bulawayo.

Martin Erington of Davy McKee says that the laboratory work has been scaled up to produce a plant which will process about 1,000 tonnes of concentrate a year.

It is Davy McKee's first attempt to introduce its biotechnology at a mine site and the UK company is footing the £300,000 bill for the bio-oxidation plant.

Davy also laboratory tested ore from BP Minerals' huge Lihir Island gold property in Papua New Guinea and found it very amenable to bacteriological treatment. But BP eventually decided it had enough problems to face at Lihir without adding new processing technology to the list.

The treatment of refractory ore is not the only use for biotechnology in gold recovery. Some ores contain such small amounts of gold-pyrite mix that it is not usually worthwhile to attempt to concentrate or extract them.

However, bacteria can profitably be used to recover this gold in a process where the ore is simply crushed and heaped in columns in its raw form and the bugs set to work.

The potential for T. ferro-oxidans and friends is enormous. It has been estimated that about 30 per cent of the gold waiting for recovery in the non-Communist world is locked up in sulphide rock.

Handfield says: "I'm confident that within the next two or three years somebody will get a big bio-leach plant going and it will become an accepted process. Over the next decade a great deal of gold will be recovered in this way."

WORTH WATCHING

Edited by Geoffrey Charlish

Bright spark at making parts

THE ADVANTAGES of spark machining – that it achieves a good surface finish and accurate shapes in very hard metal – have been recognised at Altus Engineering in the UK, which has just installed an Ingersoll C113 machine.

Altus makes dies and moulds for the rubber and plastics component industry. The Ingersoll machine is being used to machine, for example, headlamp reflector moulds for component suppliers to the vehicle industry.

Moulds and dies have to be hard to give long life without surface blemishes. If the shape is machined conventionally and then hardened, the heat involved can alter the dimensions.

Instead, the bulk of the metal is first removed conventionally, the workpiece is hardened and then spark erosion is used for the final contours. Under computer control, a shaped electrode is passed over the surface and a high-voltage discharge removes tiny pieces of metal which are flushed away by an insulating fluid.

The Altus engineers are able to feed the computer controller with shape data generated by computer-aided design. Conventional drawings and physical models are eliminated, because the final product can be completely visualised and defined using screen and keyboard.

Diamond-like internal coats

ION Tech of Teddington, in the UK, is to supply Pfizer, the US health care and chemicals company, with a system that will apply a diamond-like coating (DLC) to implantable body parts, such as artificial heart valves.

DLC is produced in a vacuum chamber in which an electric field generates a beam of carbon and hydrogen atoms. These land on the surface and form crystals which are similar to diamond in crystalline structure and hardness.

The coating is impermeable and highly resistant to wear. It resists the corrosion of a wide range of organic and inorganic chemicals. If correctly applied, it forms a strong adhesive film and promises to be compatible with cell tissue and blood.

Pfizer has purchased the equipment needed to continue the evaluation of coated specimens, following promising tests on samples coated by Ion Tech.

DTI warning on car alarms

THE UK Department of Trade and Industry (DTI) is warning people against the use of car alarm devices that are not approved and, it is claimed, could interfere with other radio users including the emergency services.

These systems detect tampering with a vehicle and send a radio signal to the owner, provided he is not too far away. But unapproved devices might also transmit harmonics (multiples) of their operating frequency, causing interference.

The DTI says that "a large number" of illegal devices are being advertised. As the law stands this is not illegal, but their use is.

Some devices carry statements such as "Not licensable in the UK," which could be taken to mean that no licence is needed. In fact, one will not be granted to the maker unless the device is approved.

Type approval and licences are granted to manufacturers that conform to a DTI specification, but only one system, from C-COM International, is approved so far. The DTI has also just announced that from December 12 it will charge £850 to test low power devices.

Another type of car system, the radio key, is causing fewer problems, says the DTI. Provided by one or two car makers, these are hand-held devices similar to a television set controller to lock and unlock the car. (Devices that use infrared and ultrasonic beams fall outside the radio regulations.)

The DTI is considering ways to ban the import, sale and possession of unapproved alarms, or at least requiring adverts to state clearly that their use is illegal.

Laser helps draw a true line

THE UK specialist laser applications company, Scientifica-Cook of Acton, has developed an easily operated device incorporating a sweeping laser beam, for use where a true horizontal or vertical line has to be established.

Mainly aimed at the construction industry, the device produces a narrow beam of intense red light which rotates quickly enough to show a continuous red line on the surrounding walls or structures. Very accurate spirit level bubbles in a unit mounted on the supporting tripod allow horizontal or vertical sweeping plane to be established. The unit, powered by a 12-volt battery, costs £1,495.

Applications include site levelling and the installation of suspended ceilings.

Exchanges hit a clogged line

LOGICA, the London computer and communications systems house, says that the European market for private telephone exchanges (PBX) will increase from $3.6bn to $4.2bn by 1993, a growth over five years of only 16 per cent.

The figures come in the latest report in Logica's Telematica series. It says that Europe is now heavily saturated with PBX equipment, although there will be opportunities for smaller, low cost, high performance systems, due to the growth in the number of small companies.

But by 1993, the focus will again be on large systems, due to digitisation and the impact of integrated services for speech, text and pictures.

CONTACTS: Ingersoll: UK office, 0203 694300. Ion Tech: London, 977 8275. DTI: London 215 4922. Scientifica-Cook: London, 992 0268. Logica: London, 637 9111.

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FT LAW REPORTS

Loading ship can sail away from war port

THE KANCHENJUNGA
Court of Appeal (Lord Justice Fox, Lord Justice Lloyd and Lord Justice Glidewell): November 23 1988

SHIPOWNERS WHO give notice of readiness to load at a nominated port knowing it to be within a war area, waive their contractual right to treat the port as unsafe; but where the charter incorporates a War Risks clause implying a discretionary right to sail away from hostilities, the shipowners, though bound to load at the nominated port, are not liable in damages if they leave because of an air raid and refuse to return.

The Court of Appeal so held when dismissing an appeal by defendant shipowners, Shipping Corporation of India, and a cross appeal by plaintiff charterers, Motor Oil (Hellas) Corinth Refineries SA, from Mr Justice Hobhouse's decision that neither of them was entitled to damages as against the other for repudiation of a charterparty in respect of the Kanchenjunga.

LORD JUSTICE LLOYD said that a headcharter of the Kanchenjunga, dated August 8 1978, defined loading ports as "1/2 safe ports Arabian Gulf excluding Fao and Abadan".

The Gulf war broke out on September 22 1980.

A sub-charter entered into on November 19 after outbreak of war, defined the loading port as "1/2 safe ports Arabian Gulf excluding Iran and Iraq but including Kharg Island".

On November 20 1980 the charterers ordered the vessel to load at Kharg Island. The vessel proceeded the next day and arrived off Kharg Island on November 23, where she gave notice of readiness.

A berth became available on November 30 but the vessel could not berth due to fog. The following day there was an air raid on Kharg Island and the master sailed away.

On December 2 the owners called on the charterers to nominate another port, but they declined. On December 4 the master refused to return to Kharg Island.

Thereafter each side accused the other of having repudiated the charter – the owners in refusing to load at Kharg Island, and the charterers in refusing to nominate another safe loading port.

Arbitrators found that at all material times Kharg Island was unsafe. There was no appeal from that finding. However, the charterers had submitted *inter alia* that by accepting the nomination of Kharg Island and by their conduct between November 21 and December 2, the owners waived the right to assert that Kharg Island was unsafe.

Having found that Kharg Island was unsafe, the arbitrators held that the charterers were in breach of the charterparty in failing to make a fresh nomination; that the owners were entitled to accept the charterers' breach as a repudiation, and to recover damages.

The charterers appealed.

Mr Justice Hobhouse took a different view from the arbitrators. He held that the charterers' argument on waiver succeeded and they were not liable to the owners in damages.

He also held that the owners were not in repudiation of the charterparty. Although they had waived their right to treat the nomination of Kharg Island as non-contractual, they had not waived their separate and distinct right to rely on the War Risk clause incorporated in the charter, by way of defence.

Thus neither party was entitled to damages against the other.

Both parties now appealed.

The first question was whether the owners' conduct in complying with the charterers' order to proceed to Kharg Island was sufficiently unequivocal to deprive them of their right to treat the nomination as non-contractual.

The charterers relied on two factors, namely the terms in which the owners accepted the charterers' nomination without reserving the right to treat it as non-contractual, and their subsequent conduct, particularly in giving notice of readiness.

Those two factors were sufficient to justify the judge's view that the owners' conduct was unequivocal. There was nothing equivocal about it. They were dealing with charterers on the basis that the loading port nomination had been made, and that Kharg Island was that port.

The second question depended on the owners' state of knowledge.

It was clear from the arbitrators' finding that the owners knew the facts. If those facts meant that Kharg Island was unsafe, then the owners must have known they were entitled under the charterparty to refuse to accept the nomination. That would be obvious to any shipowner.

The owners, by their conduct, waived their right to refuse to load at Kharg Island. It followed that the charterers were entitled to insist on the vessel's loading at Kharg Island, subject to any relevant exception, and the owners' claim for damages for repudiation must fail.

On the cross appeal the charterers argued that if they were not in repudiation in insisting that the vessel loaded at Kharg Island, the owners were in repudiation in refusing to load there.

The judge did not agree. He held that the owners were entitled to rely on the War Risks clause.

The clause provided that if, owing to war,the master considered it dangerous or impossible to reach the nominated port the charterers should have the right to order cargo to be loaded or discharged at any other safe port. If no orders were received from charterers within 48 hours after owners' request for a substitute port, "the owners shall then be at liberty to discharge the cargo at any safe port which they or the master may in their or his discretion decide on".

The clause gave charterers the right to order the vessel to load or discharge at another safe port when the nominated port was considered dangerous or impossible by reason of war or hostilities. It did not purport to give owners the right to sail away. The only right expressly given to owners was the right to *discharge* cargo at any safe port, if the charterers failed to nominate an alternative port of discharge when requested.

The arbitrators held that while the clause gave the owners the right to discharge elsewhere, it gave them no right to load elsewhere.

That might be correct, but it was not the point. The point was whether the clause gave the owners a defence if they sailed away. The judge held that it did. He was right.

It would deprive the clause of all meaning and effect if the owners could not act on their assessment of the situation at the time. Although the clause gave the owners no express right to sail away in the event of a loading port being considered dangerous or impossible, they must have had such a right by necessary implication.

The next question was whether the owners had waived the implied right conferred on them by the War Risks clause, by reason of their conduct in accepting the charterers' nomination.

Mr Clarke submitted that the owners' waiver of their right to refuse to load at Kharg Island necessarily carried with it a waiver of any implied right under the War Risks clause.

That was not so. Even if it could be said that the owners had waived their right to exercise their discretion under the clause, the clause plainly conferred a separate and independent discretion on the master. Nothing the owners did could be construed as a waiver of the master's discretion. Indeed, they might well have been prepared to allow the vessel to proceed to Kharg Island just because the master would be able to exercise his own independent discretion on arrival should he consider it necessary.

Mr Clarke also submitted that the clause only applied if the port was properly named in the charterparty - here the nomination of Kharg Island was improper since it was unsafe.

It would be absurd to hold that the owners had a defence under the clause when the charterers' original nomination was lawful, but not when it was unlawful. That could not have been what the parties intended. The point was rejected.

The cross-appeal failed.

Lord Justice Fox and Lord Justice Glidewell agreed.

For the owners: Michael Collins QC and David Mildon (Ince & Co)

For the charterers: Anthony Clarke QC and Charles Haddon-Cave (Horrocks & Co)

Rachel Davies *Barrister*

CONTRACTS

Offices project

The southern region of WIMPEY CONSTRUCTION UK has been awarded a £9m design-and-build contract by Lloyds Bank for an office development in Worthing.

The three-storey building, with an internal floor area of some 5,700 sq metres of open plan office accommodation, will have a central service core area with a glazed atrium and main entrance area of in situ reinforced concrete frame construction, with coffered flat slab upper floors. The building will rest on pads and ground beam foundations and will have brick/block cavity walls. The timber roof trusses will have slate coverings and the main brick elevations will feature a brise soleil (sunshade). Work has just commenced and is due for completion in October 1989.

York prison expansion

FAIRCLOUGH BUILDING has been awarded its biggest prison contract yet, valued at £5.6m, by the Home Office to further increase the size of the prison at Full Sutton, York.

Two 2-storey in situ reinforced concrete buildings are to be constructed on ground stabilized by vibroflotation and externally finished with brick cladding and sheeted roof.The two blocks will each house an additional 96 prison cells as well as providing a central core area for offices and association rooms.

A comprehensive service package includes all mechanical and electrical installations. The project is scheduled for completion in October 1989.

Specialist ceiling work

CLARK & FENN, a Trafalgar House company, has been awarded contracts valued at over £9m. The contracts have been awarded to the ceilings unit for a wide variety of specialist ceiling work in London.

At Broadgate phase 6, Clark & Fenn is working on a £2m contract fixing 25,000 sq metres of acoustic perforated metal ceiling planks, incorporating an integrated lighting system,for construction managers Bovis-Schal.

At Broadgate phase 4, level 7, Clark & Fenn is installing 1,500 sq metres of perforated 500mm by 500mm metal panel suspended ceilings.

Clark & Fenn is also working on a variety of contracts for sister Trollope & Colls companies in London. Under a £550,000 contract for Trollope & Colls Management, the company is installing 13,500 sq metres of module panel, metal ceiling to fit out Horseshoe Court for the Financial Times.

At the Harrods distribution centre at Osterley, in Surrey, Clark & Fenn is fixing coloured metal ceiling tiles, under contract from Trollope & Colls Construction.

Clark & Fenn has also been awarded a £602,000 contract to install 5,500 sq metres of Echostop plaster ceiling tiles at 2-6 Austin Friars, EC2 for Wates Construction (London>.

Leeds office development

Contracts worth over £9m in Leeds City Centre have been won by MOWLEM NORTHERN. Among the awards is the £3.7m Kings Court office development on the corner of Kings Street and Quebec Street for Leeds solicitors Walker Morris Scott Turnbull.

The scheme will involve construction of a six-storey office block with net letting space of 45,000 sq ft. The project is programmed for completion in December 1989.

In Briggate, the company has been appointed by Prudential Portfolio Managers to carry out an interior and exterior refurbishment programme on the Victorian County Arcade and adjoining buildings.

In addition to cleaning, restoration, refurbishment and alteration works, the project involves construction of a glazed, split-level roof over the pedestrianised Queen Victoria Street. Work is scheduled for completion in November next year.

CROWN NIAGARA MECHANICAL SERVICES, a joint venture formed by Crown House Engineering, UK, and Niagara Mechanical Contractors, Canada, has won an order for the mechanical services for the 50-storey tower block being built at Canary Wharf.

MANAGEMENT: Small Business

Conference view

Dissecting an image

Charles Batchelor on attitudes in the UK small business sector

After several decades of neglect, the small businessperson has emerged as something of a glamorous figure in the 1980s. However, a truer and less flattering picture of small business life emerged from the Eleventh National Small Firms Policy and Research Conference held in Cardiff earlier this month.

More than 200 academics from colleges around Britain, together with a sprinkling of bankers, small business advisers and civil servants, met for their annual dissection of the world of the small firm. Most of the presentations painted a business-style which was far from glamorous and which contrasted with the glossy image suggested by some of the publicity for the small business life.

The composite picture which emerged of the average small business showed an organisation reacting in a rather haphazard fashion to problems such as finance, product innovation and growth. For all the wealth of government and private sector initiatives, the small business person is often unaware or suspicious of the assistance on offer. Where the business is doing well its owner is frequently happy to jog along with little thought of expanding either product range or geographical markets.

The picture was not one of unrelieved gloom. Stress, for example, does not appear to be a major problem, despite the demands on time and energy of running a small firm. But the conclusion of previous research – that very few small businesses aspire to be high-flyers – appeared amply born out.

Organised this year by Cardiff Business School, the conference once again reflected the popularity of small business in the academic community. The sheer number of papers submitted frequently meant participants had to choose between four competing presentations and left little time for discussion. There was also criticism from some participants of the quality of the research work being done in the small firms field.

Whether the policy makers in the private and public sector pick up the messages which come from this annual gathering is another matter.

Innovation: Small companies are commonly thought to be highly innovative. They may lack the research and development budgets of the large corporation but they make up for this by their flexibility and responsiveness to market demand.

However, a considerably gloomier view of the small firm's innovative ability emerged from a study of product development in 23 small engineering companies on the Hampshire and Dorset borders carried out by Alan Hankinson of Portsmouth Polytechnic's Business School.

Only four of the companies surveyed were engaged in a continuous programme of developing new products. A further 10 claimed to be developing new components or refining existing products but there was little evidence of this in practice. Nine companies said they had no product development programme.

Even those companies which were involved, or claimed to be involved, in product development were reactive rather than innovative in their approach, said Hankinson. Many felt there was a shortage of internal funds for this sort of activity but were reluctant to tap external sources of finance.

Most of the businesspeople surveyed said they tended to abandon new product development when the economy improved so as to concentrate on meeting resurgent demand for existing products.

"Most respondents recognised product development and appreciated the possible pitfalls but too few seemed willing to rise to the challenge," Hankinson concluded.

Training: Much has been done to increase the range of training available to small firms in recent years but many owner-managers remain sceptical of its value. Changes are needed in the way training is offered to small businesses, according to David Kirby of Durham University Business School.

In a study of 40 manufacturing and service sector companies in Gwent, Kirby found 55 per cent provided no management training for staff. Thirty-nine per cent felt it was not needed, 27 per cent said that the company was too small and 17 per cent felt that the training was too expensive.

Small firms' response to training is so poor that its effectiveness as a means of stimulating growth or of arresting decline is open to question, said Kirby.

Many entrepreneurs have themselves received little or no formal education and are sceptical of its value; they are also reluctant to expose their own ignorance; there is no tradition in Britain, unlike the US, Japan and West Germany of continuously updating professional education.

But equally important is the fact that many proprietors of small firms believe training is being offered by bureaucratic organisations and that it is unlikely to yield immediate, tangible benefits for their business.

To meet this objection training needs to be more flexible and more closely tailored to the specific needs of the businesses. Small businesspeople do not react to general literature or circulars but are more responsive to individual approaches.

Consultants: Small companies which called in external consultants were enthusiastic about the help they received but found it difficult to pinpoint specific benefits, according to Alan Leyshon and John Turner of Paisley College of Technology.

A survey of 46 firms in the West of Scotland which had been advised by staff from the college showed 68 per cent thought the projects were successful or very successful while 72 per cent thought them good or very good value for money.

But, pressed to say what the specific benefits were, small firm owners were more diffident. Just 9 per cent claimed benefits in the field of employment; 18 per cent reported market share or sales benefits; 16 per cent customer service benefits and 29.5 per cent efficiency or productivity benefits.

These results suggest that external consultancy is taken on almost as an act of faith, known to be valuable in a general sense but not capable of being seen to produce incremental benefits, Leyshon and Turner said.

Seventy per cent of companies surveyed had received government aid in paying for the consultancy of which half said they would have carried out the project even without subsidy.

Banks: Small firms in Britain may be at a disadvantage after the creation of a single European market in 1992 because the British banks are failing to meet their needs as effectively as their counterparts in continental Europe.

The less concentrated banking system and the long tradition of industrial banking in the other European countries means banks elsewhere in Europe have a closer relationship with industry, according to Martin Binks of the Department of Economics of Nottingham University.

Banking practices common in the UK coupled with the naivety of small businesspeople in handling their finances may be discouraging enterprise, his study showed.

Banks often do not understand the markets in which their small business customers operate so they demand excessive security for loans. A lack of competition between banks in the area of interest rates and the small businessperson's lack of experience in negotiating financial terms mean rates are both high and volatile and tend to deter enterprise.

Banks should make wider use of interest and repayment reductions and/or holidays for term loans and be more ready to relate charges to the amount of information they have on their client and his markets, Binks said.

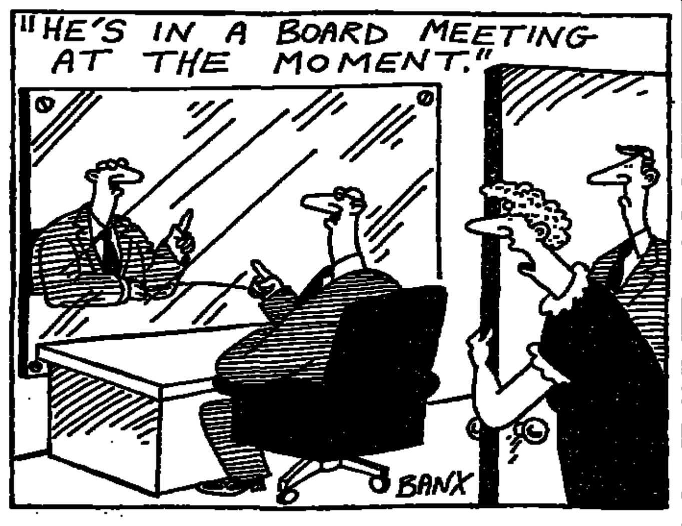
If the British banks fail to respond it will not only be small businesses which suffer, the study concluded. The banks themselves may face growing competition from their European rivals for the small business client.

Management: The owner/managers of small firms spend very little time on management and supervision and are primarily engaged in either production or selling, according to a study of 68 small businesses in the Belfast area.

Male owner managers spent just 9 per cent of their time "managing", 40 per cent on directly producing or providing a service, 25 per cent on sales and customer relations and 12 per cent on general administration. Women spent even more time on production tasks and just 5 per cent on management, said Stanley Cromie of the University of Ulster.

Twenty seven per cent of businesspeople interviewed said they sat down frequently by themselves or with colleagues to think seriously about where their business was going. Forty per cent did this once a month while 19 per cent did it once a year and 15 per cent "never."

The whole process of planning and control is conducted in a rather haphazard manner, Cromie concluded. In very small companies it is difficult to see how the owner/manager could organise his time differently but some guidance on management and delegation would be useful, he suggested.



Small companies and 1992

Co-operation through the EC

Charles Batchelor on a projected link-up

Europe's small business organisations are starting to take an interest in affairs beyond their national boundaries and are establishing direct links with each other in the run-up to the creation of a single internal market in 1992.

In France the Confédération Générale des Petites et Moyennes Entreprises has begun an ambitious programme aimed at establishing contacts throughout the community.

It has formed links with the Union of Independent Companies (UIC), which represents medium-sized private companies in Britain, and hopes to develop contacts in Greece, Spain and Portugal over the next year or so.

International links have also been established between the National Federation of Self Employed and Small Businesses, Britain's largest small business group with 50,000 members, and the Bundesverband der Selbstaendigen - Deutscher Gewerbeverband (The German Federation of Independent Businesses), which has 70,000 members.

The Anglo-German link-up is aimed at promoting trade contacts, joint ventures and co-operation between members and at presenting a united approach when lobbying to influence economic and financial legislation.

One of the priorities is to ensure that the move to a single market does not lead to unnecessary bureaucratic interference in trade, industry and commerce, Brian Prime, the federation's chairman, said at the recent signing ceremony to mark the establishment of the co-operation agreement.

The UIC and the Confédération Générale meanwhile have each set up off-shoots to achieve closer cross-border co-operation.

The French organisation has a network of 80 small business counsellors throughout the country while the UIC is starting to create a similar network using existing organisations such as the Kent Business Federation, the Birmingham Chamber of Commerce and the Industrial Development Board for Northern Ireland.

Requests for joint ventures, co-operation in research and development projects and distribution and agency agreements are filtered to make sure that only companies capable of sustaining export business are allowed to participate. They fill in a lengthy questionnaire on their business and its export plans, says Colin Gibson, the UIC director in charge of the project.

The UIC-Confédération project complements rather than competes with the European Commission's BC-Net which also seeks to create closer links between companies in Europe, according to Gibson. The UIC and the Confédération believe they will provide a more personal service more cheaply than the private consultants of the BC-Net.

The UIC estimates the costs of using its network at £150 for initial registration plus a search fee of £500-£2,000, part of which it hopes to meet from government export support schemes.

As part of the French effort to promote cross-border links the Confédération has stationed a consultant, Pierre Pechery, in London to help conduct market research.

Contact: UIC, Box 186, London SW7 2NF; National Federation, 140 Lower Marsh Street, Westminster Bridge, London SE1 7AE; Confédération, terrasse Bellini, La Defense, 92806 Puteaux, France; Bundesverband, Coburgerstrasse 1a, D-5300 Bonn 1, Germany.

In brief...

■ A new property unit trust which will specialise in premises suitable for letting to small businesses has been launched with the aim of raising up to £20m from pension funds and charities.

The Nationwide Small Business Property Trust will make investments around the country in a similar fashion to the London Small Business Property Trust, set up six years ago to invest in premises in the capital.

Promoters of both trusts are Cipfa Financial Services and Granby Hunter, a firm of surveyors. They see good prospects for investing in small business properties in the light of the political and financial encouragement given to small firms in recent years.

To improve the liquidity of a normally illiquid investment, the new trust will allow unitholders to redeem their units quarterly by giving one month's notice. The trust will also be able to make borrowings up to 50 per cent of its net asset value.

Contact Cipfa Financial Services, Heron House, 10 Dean Farrar Street, London SW1H 0DX. Tel 01-222 3433.

■ Building your Business, a free one-day exhibition and seminar to help the owners and managers of small and medium-sized businesses expand their activities, will be held at the Grosvenor Hotel, Victoria Station, London SW1, on December 2.

Consultants will be on hand to provide advice while seminars starting at 10 am and 2 pm will feature presentations by CBI and Department of Trade and Industry officials. The event is sponsored by NEC (UK).

■ A trip to San Francisco next February for a worldwide convention of student businesspeople is the prize for the top 12 UK entries for a new competition, the Student Entrepreneur of the Year award.

Competition entrants must prepare a summary of their business idea, market research, operations and finance. The top 60 will present their ideas to a panel of businesspeople and academics and the best 12 of these will go to San Francisco. On their return they will be helped for six weeks to put their business idea into practice.

The competition has been organised by the Young Entrepreneurs Network, which links business clubs for the under-30s in the UK, and backed by National Westminster Bank and accountants Touche Ross.

Contact YEN, Headbourne Worthy Grange, Winchester, Hants SO23 7JX. Tel 0962 882661.

BUSINESSES FOR SALE

Swinnertons (Stone) Limited
Soft Drinks Manufacturer
(In Administrative Receivership)

The soft drinks production plant of the above company is offered for sale by the Joint Administrative Receivers, A P Peters and J F Doleman, of Touche Ross.

Including: BENCO Packline Machine, Model 8S, No P181/1/2 with plastic moulding, filling and sealing units with conveyor feed out and rotary table. The machine produces 240ml and 185ml square shaped cups. Year of manufacture 1986.

Quantity of stainless steel tanks with top mixers, filters, pumps etc. HPC Pulsair Screw Compressor Model BS50 with Receiver, BV Electric Pedestrian Lift Truck Model EHS 500, LANSING BAGNALL Electric Fork Lift Truck Model FGER 1.2/1.2, HYSTER Electric Fork Lift Truck, large quantity of Pallet Racking, quality control equipment, office funiture and equipment etc.

VIEWING: 5th December 1988
18 Whitebridge Industrial Estate, Stone, Staffordshire.

TENDERS TO BE RETURNED BY: 9th December 1988.

IMPORTANT NOTICE:
ALL ITEMS MUST BE REMOVED FROM SITE BY 22nd DECEMBER 1988.
SUBJECT TO NOT BEING SOLD IN SITU BY PRIVATE TREATY.

All enquiries are being dealt with on our behalf by Richard Mascall of Grimley J.R. Eve on 021-236 8236.

Touche Ross

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Interested parties should contact the Joint Administrative Receivers:
R. G. Mitchell and B. Jones

KPMG Peat Marwick McLintock
Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE Tel: (0222) 4624631 Fax: (0222) 481605
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For further information please contact the Administrative Receiver: T.J. Beer or A.W. Thompson.

KPMG Peat Marwick McLintock
Richmond House, 1 Rumford Place, Liverpool L3 9QY
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For further details, contact Kevin W. Singerton or the Joint Administrative Receiver, Richard A. Smart at:–
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ARTS

Physical attraction

William Packer reviews the work of sculptor Richard Deacon at the Whitechapel Art Gallery

A prejudice must always be declared if the critic is to be fair in his review, and here I confess that hitherto the work of the sculptor, Richard Deacon, has always been met by me with a certain economy of enthusiasm.

Here is an artist who, at 39, has won virtually unanimous critical support where – in practical terms – it counts most. His work has been feted and collected by the Tate; shown extensively abroad by the British Council since the early 1980s; and promoted with the acutest assiduity in the private sector by his dealer, Nicholas Logsdail, of the Lisson Gallery. He was nominated for the Turner Prize in 1984, its inaugural year, and declared its winner in 1987.

Such manifest success was clearly won on Deacon's part by consummate professionalism and sheer hard work. Confirmed as it was by many whose professional judgement I have the deepest regard, it was something I too could recognise and respect. But still it puzzled me and left me cold. I could see how well made the sculpture was, how ingenious in its contrivance and material, how ambitious in its scale and scope. Yet its physical presence left me unmoved and the imagery never quite managed to take my imagination. The wit, the organic reference, the surrealism of scale and substance – I heard it all but could not see it. The fault no doubt was in myself.

It was, therefore, with a sense less of pleasurable anticipation than of duty that I approached the Whitechapel last week, where Richard Deacon's work of these last two years fills the two principal floors of the Gallery (until January 22: sponsored by Montblanc, which is committed to supporting two further major exhibitions by British artists, and by the Henry Moore Foundation). It proved to be a considerable surprise.

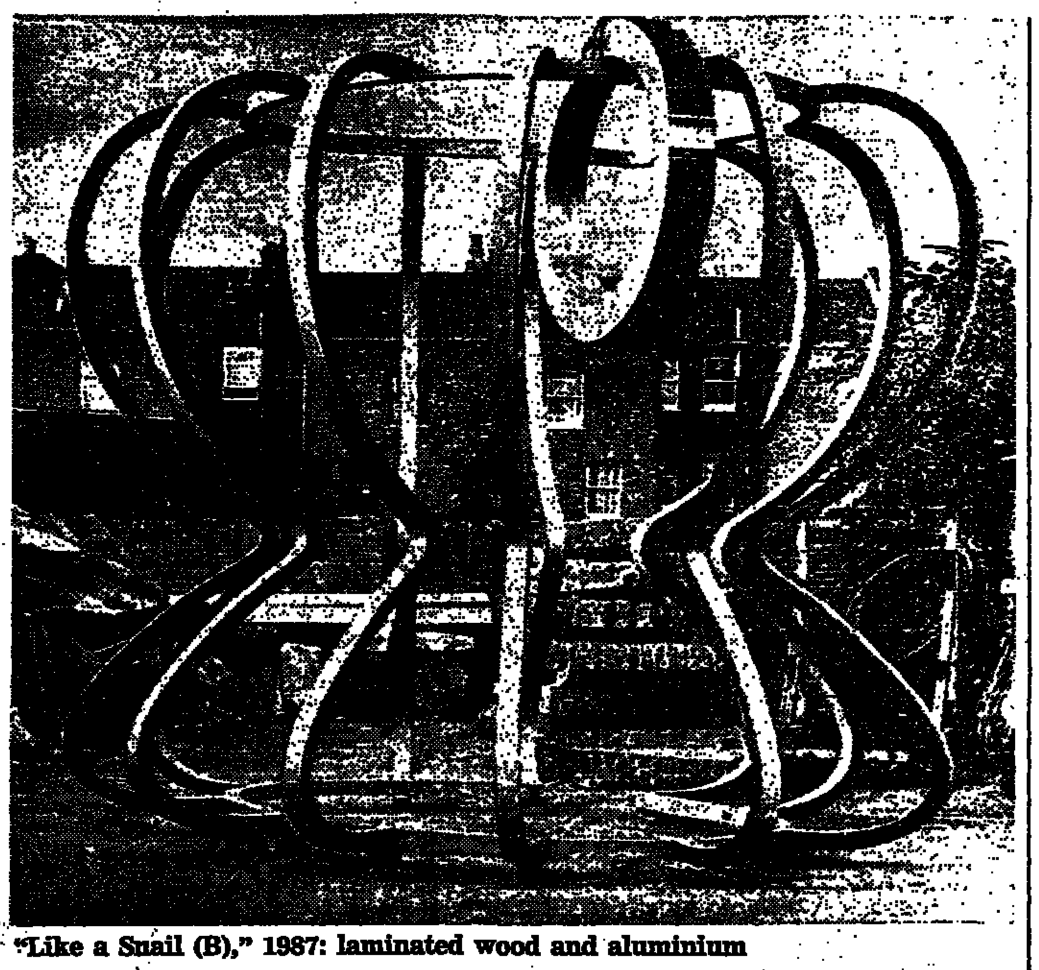
The work seemed familiar enough in form, material and image, so perhaps my problem was simply that I had not seen enough of the work, or at least not enough of it all together before. This time, for all my prejudice, I felt a decided and immediate thrill as I moved into the Gallery, and this before I had taken any closer look at the work, piece by piece.

To experience such a frisson, when the work comes forward to meet its visitor at least half way, is always an odd experience; and with sculpture especially it must suggest that one's response is as much physical and sensory as directly visual. With so much passing at the periphery of vision, the eye takes in rather more than it could ever consciously acknowledge and yet, as in walking through a wood, it teases the mind and the imagination into active and general awareness. Walking through the countryside, do we always positively address ourselves to what is before us? We may not always remember just what the wood looked like but, half noticing, we do recall *what we felt and enjoyed* – the sense of the place more than its mere appearance.

The arrangement of the works, some 17 in all spread with an elegant discretion through these two beautiful spaces, has hardly the density of a wood, save only at the very first step into the exhibition. There, set close to the door and pressing up to the ceiling is the largest piece of all, which carries the characteristically elliptical title, "Like a Snail." The serpentine ribs of a skeletal construction, an open pod with a nipped-in waist, throws the image of its circular base high in the air, from which hangs another, heavier, more obviously modular circle made of metal plates and rivets.

So big is this extraordinary object that one would quite understand a wish to stand away from it, as indeed one can from within the show, to take it all in. But the bolder stroke of contriving this *enforced initial intimacy* with the piece is entirely justified, for not only does its scale *impose itself* upon the viewer the more powerfully, but its physical proximity also insists that he registers its physical substance and the manner of its making. We take in the nature of the tree trunk, as it were, and the quality of its bark before ever considering the tree itself.

Another show, another circumstance, and the character of the piece and the experience it affords might be very different. But here the close physical awareness of what the object actually is remains a powerful imaginative trigger throughout the show, constantly setting *the sensation of a shared* space, and the physical celebration of material through careful craftsmanship, against the more ambiguous natural references and suggestions in the imagery – that is to say the thought not of what these things are but of what they might be.



"Like a Snail (B)," 1987: laminated wood and aluminium

Deacon was ever one to mix his materials and his way of working them – riveting and bolting his metal, glueing and laminating his wood with a fine indifference to orthodox *technical integrity. Now, however*, his works are perhaps less arch and playful in their invention, and have become more simple and monumental even though so many still follow an open and skeletal construction. The gaps, the space between, were always important to him, but now the forms he describes and suggests are established with more authority, for all their simplicity, and hang more weighty and substantial in the imagination. This is now the mature work of *a considerable artist.*

Deacon and Tony Cragg, this year's winner of the Turner Prize, were at the Royal College together and their careers have crossed and recrossed ever since. They share the same dealer and when one shows here, the other is bound to be showing there. It is easy and often convenient to set them together but a great mis-hey could hardly be more different in their work: Cragg the more improvisatory and, in the best sense, opportunistic; *Deacon the more obvi*ously manual and direct in his application to his work. Cragg opens at the Lisson Gallery later this week. He should get, as they both deserve, quite separate consideration.

Das Wunder der Heliane

CITY THEATRE, BIELEFELD

Bielefeld is not your average German opera House. While most provincial theatres rarely break out of the core repertory, often performed under lamentable conditions, Bielefeld is winning a reputation for first rate evenings featuring works that can on no account be considered masterpieces.

Last season saw Boito's *Nerone*, Rudi Stephan's *Die ersten Menschen* and Delius's *Fennimore and Gerda*, all staged by John Dew in designs by Gottfried Pilz. Long-forgotten works by Schreker and Krenek are promised for the months to come, and Korngold's *Das Wunder der Heliane* has just been revived for the first time in Germany since 1932.

Korngold wrote *Das Wunder der Heliane* in 1927, seven years after the whirlwind success of *Die tote Stadt.* Another seven years, and Korngold was in Hollywood. The Vienna State Opera took the new work into its repertoire immediately after the Hamburg premier – Lotte Lehmann subsequently recorded Heliane's stirring Act II Scena – and the first Berlin performances were conducted by Bruno Walter. The subject matter, loosely based on a mystery play by Hans Kaltneker, fitted the mood of the times, and Korngold considered the score to be his finest.

Heliane, the only character given a name, is the pure and childless wife of a totalitarian ruler, who has banned laughter. A stranger who voices the desire to make people happy is imprisoned and condemned to death. Heliane takes pity, and responding to his appeal for a final glimpse of beauty, she undresses for him. Caught by her husband, she is arraigned before an inquisition, which commands that she bring the stranger back to life as proof of her innocence. After she admits her love for the stranger, her husband stabs her. A vision of Heliane and the stranger resurrected inspires the people to overthrow their oppressor and rejoice.

Like so many of its equally neglected contemporaries, *Das Wunder der Heliane* is dripping with symbolism. Coming just as fascism swept Europe, the opera's depiction of tyranny defeated might seem uncannily prophetic. But it is the sexual symbolism – the same calculated appeal to the audience's erotic fantasies that marks out von Schillings' *Mona Lisa* and Hindemith's *Sancta Susanna* – which provides the real clue to the artistic fashions of the day. The most interesting character is the ruler, a sexually-impotent psychopath who combines the fake moral rectitude of a Scarpia, the fragile open wound of an Amfortas and the kinky, rather pathetic fanaticism of a Jimmy Swaggart.

None of the characters, however, is able to shake off the symbolic mantle and emerge as real. For that, Korngold is wholly to blame. The score is one more example of the lush, directionless late Romantic music that was to find its true metier on film soundtracks. The music never fleshes out character or situation beyond the kind of illustrative responses that an experienced orchestra could improvise. The menacing woodwind thrills echo those in *Die Frau ohne Schatten.* There is a Tristanesque duet and a final ascent into the ether that recalls the closing pages of *Ariadne auf Naxos.* Only that Act II scena for soprano stands out.

The sole disappointment in the Bielefeld production, conducted by Michael Luig, was the uncertain, unshapely orchestra performance. There was a random quality in some of the singing, too, but this was outweighed by the commitment of a well-chosen cast. Ingeborg Schneider in the title role proved a real find: she has a rich, warm and brilliant voice which she uses steadily and expressively. Her looks were equally sensational. The American base-baritone Monte Jaffe, who is shortly to sing the title role of Reimann's *Lear* for ENO, was an excellent despot, slicing through the thick orchestral textures with authority and ease. For the second time this year, John Dew found himself having to act out a leading role on the first night of one of his own productions, after the tenor fell ill. He acquitted himself as memorably in the role of the Stranger as he had done in *Fennimore and Gerda*, while John Pickering sang lustily from the pit.

The staging, draped in misty blue light and built around a narrow ramp, coped admirably with the work's abstract dimensions, the only concession to realism being the military uniforms of the ruler's henchman and a distant evocation of the Nuremburg rally floodlights in the first crowd scene. Altogether, it was a courageous stab at an opera which promises so much when heard in snatches, but quickly exhausts its creative resources in the theatre.

Andrew Clark

Abbado's 'Daphnis'

BARBICAN HALL

Sunday night's *Daphnis and Chloe*, given complete by the London Symphony Orchestra and Chorus, occasioned the brief return to the Barbican of the orchestra's former Music Director. As it was a performance of superlative quality, immaculately controlled and sustained, shot through with colour, energy, rhythmic buoyancy, and dramatic sentience, the evening was one in which pleasure was mingled with nostalgia and regret. For at its best the partnership (not without strains though it may have been) of Claudio Abbado and the LSO produced some of London's most completely distinguished, most memorable and worthwhile concerts of recent times.

One hopes this was not the last in the line; but if it was, it was certainly a splendid and triumphant finish.

Ravel's ballet score, with its vast (but entirely unwasteful) orchestral and choral apparatus, alternation of rapt and exotic friezes, and final whirlwind climax, might have been written expressly to show off this conductor's gifts. His special way of encouraging players to spin out and float a supple lyrical line, sometimes at daringly slow speeds and hushed dynamics, gave a chaste, burnishing radiance to section after section – the orchestra's woodwind department, which one has heard in erratic form this past season, particularly covered itself in glory. All the LSO players, indeed, seemed to be listening and responding, not just occupying their familiar places on a musical assembly-line: a rare attribute in the current London orchestral scene. (No wonder the audience fidgets and coughs were so notably restrained!)

The most discerning *Daphnis* conductors are those who find and convey illumination not just in the celebrated passages (pirate dance, dawn evocation, "Danse générale") but in the smaller delights of the score. On Sunday one was captivated as seldom before by the conversational and comic exchanges of the dance contest, delicately placed and timed so that each detail could add its point to the dramatic scenario. Above all, it was the performance of one of the great dance masterpieces that was itself brimful of dance vitality, of physical vigour and impact – not a portentous concert-hall aggrandisement of the score.

In the first half two more of Abbado's directorial strengths, close sensitivity to concerto soloists and special sympathy with late-Romantic Russian music, found an equally apt outlet. Prokofiev's late Sinfonia Concertante for cello and orchestra, a work of frail, discursive, but distinctive lyrical style, requires from its orchestral players a quietly controlled style captured here to admiration. The soloist, taking time off from his own current Shostakovich labours with the LSO, was Rostropovich – accident-prone in high cadenza flourishes, incomparably generous and perceptive in his musicianship.

Max Loppert

Academy of St Martin in the Fields

FESTIVAL HALL

One of Schoenberg's liveliest, most colourful orchestral works was heard on Saturday night in a Schoenberg Festival concert given by the Academy of St Martin in the Fields conducted by Sir Neville Marriner. This was not anything too daunting, nor even a wholly original piece, but it taught a great deal about Schoenberg's musical brain: the Concerto for String Quartet and Orchestra adapted from Handel's Concerto Grosso in B flat Op 6 No 7 for strings.

A warmly textured account (unconducted) of the latter, a pleasantly plodding work, preceded the Schoenberg Recension. All the difference in the world lies between the versions, and Schoenberg's is far more than an act of orchestration or arrangement. It is a more modern form – a creative parody after the fashion of Francis Bacon paintings which take, say, a Velasquez original as an "armature" and drape over it a vigorously contrasting sensibility.

Schoenberg's work is a great deal of fun, as the programme note by Anthony Burton insisted, but I think it is also, as the programme notes tended to disclaim, an assertion of power. The original Handel is gigantified, vastly enriched with colour, "analysed out" according to the principles of Schoenberg's own day, and, in short, obliterated.

Schoenberg does not bring out the big guns of a maximal orchestra, but he does make frequent use of tuned percussion, harp and piano: appropriately, the same player, John Constable, played continuo harpsichord in the Handel and piano in the Schoenberg. Delicious little trickles of piano music are discernible below the surface, notably in the Hornpipe finale; on the other hand, the xylophonist makes his presence *felt* at once by ridiculously tapping out the sprightly Allegro theme which in the Handel is a characteristic figure for violins.

Unlike Tippett's Fantasia Concertante on the theme by Corelli, this is an extremely unreverential treatment of its source: bitonal counterpoints are saucily thrown in, impossibly sweet bright woodwind colours daubed on, the slower music is often subjected to a *schmaltzy* rendering, the added cadenza for the string quartet soloists (the biting, fiery Britten Quartet Players) is a weird fantastication reminiscent of the music of Alfred Shnitke.

The work is like a spider's web in which a poor fly – Handel – has been trapped, and is perhaps struggling to get out. At the same time Schoenberg's music conveys a richly wholesome sense of quasi-baroque workmanship and exuberance.

It was a concert devoted to versions, and ended with a magnificently shaped and clarified performance of the early 1893 text ("Titan: A Tone Poem in Symphonic Form") of Mahler's First Symphony, complete with the "Blumine" extra movement.

Paul Driver

Viktoria Postnikova

BARBICAN HALL

Miss Postnikova's reputation as a inspirational and often thrilling interpreter of the romantic piano literature has been built up over more than 20 years. Her London recitals are infrequent, and Sunday afternoon's appearance at the Barbican in a programme of Chopin and Rakhmaninov that focussed upon the core of her repertory ought to have been an event of genuine importance. Something, however, went awry and it was often impossible to discern the pianist who has so often seemed thoroughly impressive. The hard-edged aggression which served as a substitute for genuine intensity, and the shapeless driving which replaced architectural control, were hard to accept from someone noted for the instinctive care of her performances.

Her programme at least had been carefully constructed – Chopin's Preludes were followed by Rakhmaninov's Variations on a Theme of Chopin Op.22 (the theme that of the C minor Prelude) and his set of Preludes Op.23. Yet on both a technical and an interpretative level the standard of execution was disappointing. Plentiful helpings of wrong notes, passage work rushed and fumbled, accents garishly exaggerated and a tone that was consistently shallow and unvaried made an unappealing concoction, while the few passages in the Chopin which seemed to elicit a genuine expressive response from Postnikova were heavily outweighed by the automatic heavy-handed assaults conceived within a range of dynamics that admitted nothing below *mezzo forte*.

Rakhmaninov proved even less durable and the Variations collapsed under such treatment, as any attempt at detailed characterisation was abandoned and one variation elided to the next without scruple. The closing group was smashed through mercilessly until the ear gave up the unequal fight against such odds, and ceased any attempt to decipher the music. A most unhappy occasion.

Andrew Clements

Simon Gregor

Alastair Muir

Inventing a New Colour

THEATRE UPSTAIRS

The invention, a bomb; the colour, blue. At least that's one way of looking at Paul Godfrey's first play, which has travelled up from Bristol New Vic. Set in Exeter during the second world war it feels its way round the experience of a West Country family and the young Londoner billeted on them. Peter (Simon Gregor) is a likely lad with a talent for *bomb disposal; also* for bomb assembly, as he discovers with cataclysmic results.

The cataclysm is not so much in the destruction of the family home, blasted apart by the enemy within, as in the shockwaves emanating from it. The first act shuts with a window-rattling explosion, and the second opens on a Dali-esque landscape littered with half-submerged relics of furniture, among which the characters wander, mulling their senses of grievance, guilt and loss.

It is another way of saying nothing will ever be the same again – the tired old conclusion of so many dramatic chroniclers of the world wars. The principle problem with *Inventing a New Colour* is that it has nothing particularly new to say, but merely toys with new ways of saying it. Its metaphoric energy bodes well for the future, as does Godfrey's inventive way with stage convention: what starts out as a domestic drama, as naturalistic as it is possible to be with men playing bolshy schoolboys, ends up as a poetic elegy for the world before war.

It works best in its later abstract mood – partly because Phyllida Lloyd's production allows such glaring idiosyncracies of accent that I spent a significant portion of the first act wondering why Irish Americans should have emigrated to Devon. Valerie Lilley, the chief culprit on the accent front, gives an otherwise affecting account of the sadness of the dispossessed mother whose grief is an enfolding ache compared with the blunt emotional outbursts of her husband (Sam Kelly). Nicholas Hewetson injects a welcome humour with his portrayal of gawky and insolent childhood, although it is symptomatic of the production's uncertainty early on that it takes a while to establish that he is 16 not six.

Claire Armitstead

ARTS GUIDE November 25-December 1

OPERA AND BALLET

London

Royal Opera, Covent Garden. Massenet's Manon, which made a disastrous return to the Royal Opera repertory last year, gets a new production, by John Cox, in the 1987 designs, by Peter Rice. Leontina Vaduva, David Rendall, François Le Roux, and Donald McIntyre take leading roles, and the conductor is Michael Plasson.

Paris

Opéra. Notre-Dame de Paris, a 2-act ballet by Roland Petit inspired by Victor Hugo to Maurice Jarre's music with the Paris Opéra choir. Costumes by Yves Saint-Laurent (47425371).

Berlin

Deutsche Oper. Manon Lescaut has a strong cast led by Raina Kabaivanska. Die Hugenotten is revived with Pilar Lorengar, Angela Denning, Richard Leech, Victor von Halem and Bengt Rundgren, Monte Pederson makes his debut in the title role of Der fliegende Holländer. Also offered Hänsel und Gretel and Roland Petit's Notre-Dame de Paris with costumes by Yves Saint-Laurent.

Bonn

Opera. Last performance of Graham Vick's successful production of Don Pasquale with Rolando Panerai. Lucidor, choreographed by Youri Vamos is revived. Der Nussknacker, choreographed by Youri Vamos, closes the week.

Hamburg

Staatsoper. Die verkaufte Braut is a well done repertoire performance. Othello is the highlight of the week with Gabriela Benackova, Olive Fredericks, Wladimir Atlantow and Piero Cappucilli. Don Carlos is sung by Linda Plech, Bruna Baglioni, Luis Lima, Yevgeny Nesterenko, brilliant in the leading roles. Der Nussknacker is choreographed by John Neumeier.

Cologne

Cologne Oper. Don Pasquale features Reinhard Dorn and Janice Hall. Manon Lescaut has fine interpretations by Danuta Saska, Camillo Meghor, Lando Bartolini and Carlos Feller. Hänsel und Gretel has Tone Kruse and Machiko Obata in the main roles. Die Frau ohne Schatten stars Robert Ilosfalvy, Mechthild Gessendorf, Reinhild Runkel and Janis Martin.

Stuttgart

Stuttgart Opera. Einstein on the Beach, by Philip Glass and produced by Achim Freyer is an opera with a strong combination of pictures and music. Also this week are performances of the rarely played operetta Der Karottenkonig and a concert version of Simon Boccanegra. The latter stars Timothy Noble (Boccanegra), Paata Burchuladze (Fiesco), Kiri te Kanawa (Amelia), Paolo Coni (Albini) and Carsten H. Stabell (Pietro). Dornröschen closes the week.

Frankfurt

Opera. William Cochran sings the title role in Rudolf Noelte's production of Otello, which features Helena Doese as Desdemona, Franz Grundheber as Iago, Margi Neubauer as Emilia, with Gary Bertini conducting. Il Barbiere di Siviglia is well performed. Behind the China Dogs, The Vile Parody of Address and Pretty Ugly, jointly choreographed by William Forsythe and Amanda Miller, will have their premiere this week.

Amsterdam

Netherlands Opera co-production with the English National Opera of Mozart's Die Zauberflöte directed by Nicholas Hytner. The Netherlands Philharmonic under Donald Runnicles, with Hans Peter Blochwitz, Dawn Upshaw, Petteri Salomaa, Amanda Halgrimson and Erich Knodt (Thur). Muziektheater (255 455).

The Hague

The National Ballet on tour with a programme of ballets by resident choreographer Toer van Schayk: a new ballet to music by Hans Werner Henze, Seventh Symphony (Beethoven) and Mythische Voorwendsel (Bartok). Schouwburg (31 02 41), Tue, Wed in Rotterdam, Schouwburg (411 81 10), Thur in The Hague, Danstheater (60 49 30).

Rome

Opera. Donizetti's Poliuto opens the season, a rarely given and demanding work, both for singers and orchestra. Jan Latham-Koenig conducts a worthy cast, led by Renato Bruson (Wed). Also two ballets to music by Nino Rota, La Strada with choreography by the director of the ballet company, Mario Pistoni, and Gattopardo souvenir, based on Giuseppe di Lampedusa's novel, The Leopard. (Tues) (46.17.55)

New York

Metropolitan Opera House, Lincoln Center. Performances of Madama Butterfly continue, conducted by Myung Whun Chung, with Yoko Watanabe as Cio Cio San, Brenda Boozer as Suzuki and Giorgio Lamberti as Pinkerton. Kathleen Battle sings Rosina in Il Barbiere di Siviglia with Leo Nucci as Figaro and William Matteuzzi as Count Almaviva, conducted by Ralf Weikert. Victoria Vergara makes her 'Met' debut replacing Alicia Nafe as Carmen with Gary Lakes as Don Jose in Paul Mills's staging conducted by Placido Domingo. (362 6000).

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, 9 by Jerome Robbins, 5 by Peter Martins, and a month of Balanchine's Nutcracker. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovitch, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600).

Chicago

Lyric Opera. Civic Opera House. Maria Ewing recreates the role of Salome she performed in London and Los Angeles in Sir Peter Hall's production, conducted by Leonard Slatkin, with James King as Herod and Franco Farina as Narraboth. Samuel Ramey continues in the title role of Don Giovanni in Jean Pierre Ponnelle's production conducted by Semyon Bychkov, with Carol Vaness as Donna Anna and Karita Mattila as Donna Elvira. (332 2244).

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Tuesday November 29 1988

Politics and the nurses

THE CENTRAL issue raised by the present dispute over nurses' grades and pay is the ability of managers to manage in Britain's National Health Service. The £1bn set aside to lubricate the regrading exercise ought to have been sufficient to avoid more than token resistance from the nursing unions. The fact that it has instead led to *widespread* industrial action – and considerable discomfort for helpless patients – is an indictment of the present practice of running a £20bn business by issuing directives from Whitehall.

There can be no doubt that radical reform of nurses' pay and job specifications was necessary. The old system did far too little to reward clinical responsibility; pay, moreover, was rigidly based on qualifications rather than job performance. The only way many senior nurses could raise their salaries was by moving into routine administrative work. The aim of the new structure, which gives all nurses a precise position in the pecking order, is to boost incentives and create a longer – and thus more satisfying – clinical career path.

Career structure

These objectives look valid enough. Given demographic trends, it is essential that the NHS creates a career structure that is attractive to well-qualified young people who might otherwise be lured into better-paid jobs in the service sector, such as banking. The problem is that the exercise was inadequately planned and implemented according to a political timetable which proved totally unrealistic. It is difficult to believe that managers in the field, who had been discussing possible reforms with interested parties for several years, would have attempted to force through such a big restructuring in so short a time.

No large private sector company would attempt to regrade half of its staff at the same time. Yet this is what the NHS attempted – and it has 500,000 nursing staff. Nor would many companies attempt to widen differentials at the rate envisaged by the Department of Health. The agreement reached by politicians and union bosses allowed for increases of nearly 50 per cent for senior district nurses at the top of the pile compared with under 8 per cent for nursing auxiliaries at the bottom. Big differences in pay rates for adjoining grades inevitably proved extremely divisive. Sisters who previously shared responsibility for a ward suddenly found themselves on quite different pay rates. Nursing assistants with decades of experience abruptly found themselves on the same grade as raw recruits.

The exercise also revealed that many junior staff actually take on far more responsible tasks than is implied by their rank on paper. For example, nursing auxiliaries regularly take charge of wards at night even though they are technically meant to work under supervision. The upshot is that many nurses quite reasonably feel that they have been allocated too low a grade – one that does not reflect their *de facto* responsibilities. Hence also the disruption caused by the practice of "working to grade."

Studies and tests

Mr Kenneth Clarke, the Health Secretary, is thought to be sympathetic to the view that radical changes in the structure of the NHS should not be contemplated without extensive pilot studies and field tests. The practicability of an "internal market," for example, is expected to be subjected to regional tests. Health care is a labour intensive business: surely the biggest upheaval in nurses' pay and job classifications for 30 years also deserved prior testing?

More fundamentally, the dispute demonstrates the importance of giving NHS managers more autonomy. The NHS is too large and complex an organisation to be run by a coterie of politicians and officials in Whitehall. It makes no sense for Mr Clarke to be involved in the fine print of the contracts of nursing assistants. He should content himself with setting broad policy objectives for the NHS and allow the managers to decide how and when to implement sensitive reforms.

Opec's return from the brink

THE MEETING of the Organisation of Petroleum Exporting Countries which ended in Vienna yesterday was a crucial test of the cartel's will to survive.

If the 13 members had continued to produce crude at recent rates, world stocks would soon have risen to unsustainable levels, precipitating a collapse in prices and pressure for yet another meeting. But by then the production level needed to restore stability would have been even greater than the 18.5m barrels per day agreed yesterday and Opec's cohesion would have been badly strained.

This common fear resulted in an agreement which looks more robust than many in the oil industry had been expecting. For the first time in three years, Iraq has been brought back into the quota system, while the untidy idea of Saudi Arabia's and Kuwait's "neutral zone," whose production was to help Iraq, has been abolished.

The cost has been high. Iraq will be allowed to keep most of the increase in production it has awarded itself in recent years, with its new limit 75 per cent higher than its abandoned quota. This increase, and a smaller rise for Iran, will absorb most of the rise in oil demand in the last three years, leaving only a small amount to be shared between the other 11 members.

War damage

Opec had little choice but to accommodate its quotas to the fact of Iraq's rapidly rising export capacity and the desperate needs of both Iran and Iraq for increased revenues to repair war damage. Fortunately the rise in world demand for Opec crude since its nadir in 1983 has allowed the overall production level to rise just enough to make a political settlement possible.

However, the extra allocation to Iraq was horse-trading undignified by any of the general principles for allocating market share which Opec tried to develop in 1986 and 1987.

This leaves a sense of unfairness which is is likely to be used by other members as a justification for cheating in future, particularly if a slowing of the world economy should result in a deceleration of the present healthy demand for oil. So even though the agreement is an achievement for Opec, it remains vulnerable – as any cartel deal must in the face of great over-capacity.

However, Opec has come a long way since 1983 when prices of $30 to $40 per barrel were still being discussed even though demand for its crude had fallen from nearly 31m b/d in 1979 to just above 17m b/d. The argument at this meeting was between a price target of $15 or $18 per barrel, which is close to the cost of oil from *newly developed fields* in the North Sea, though many times the cost of most Gulf oil.

Long-term sales

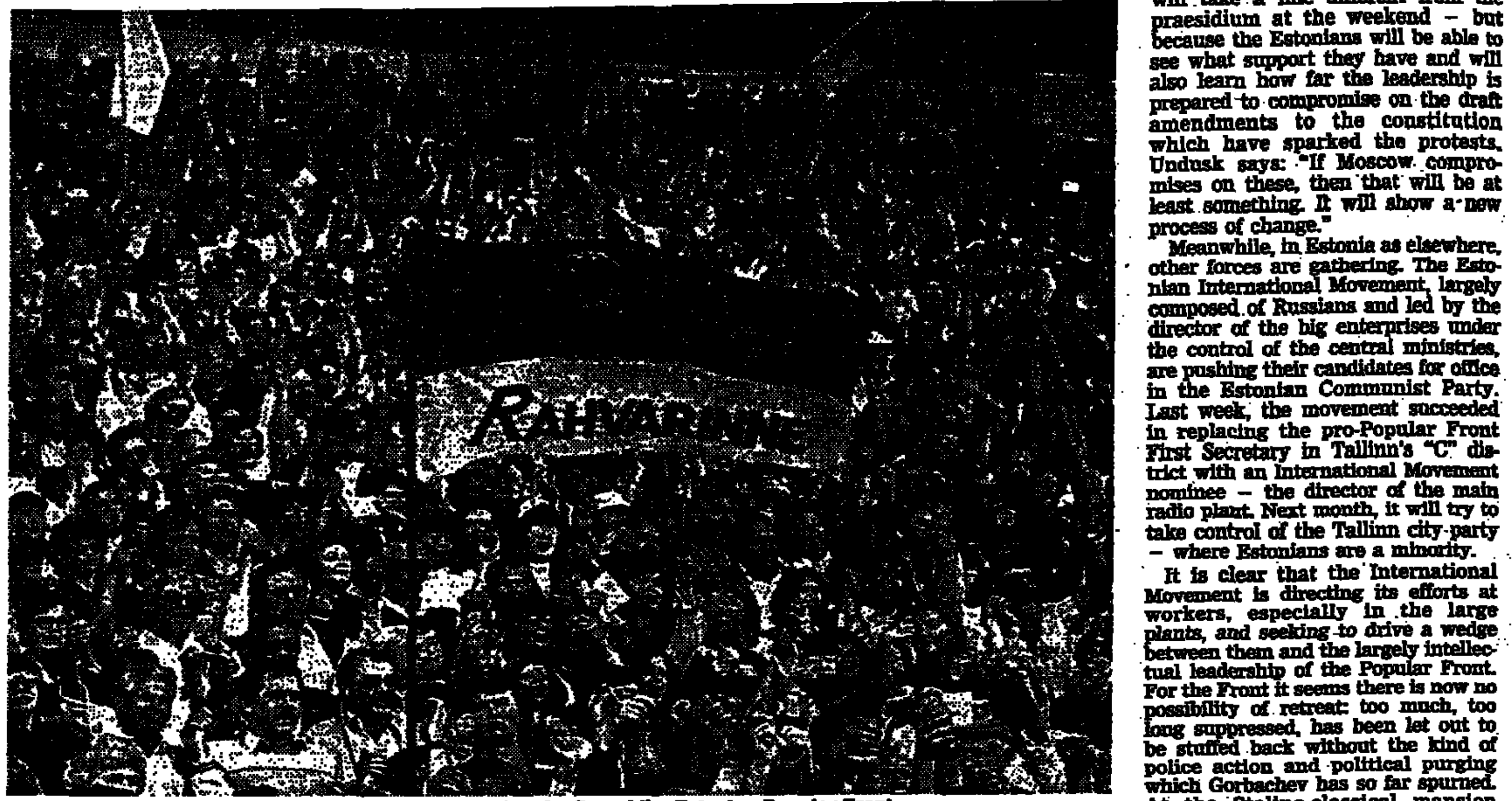
The group's former blindness to the influence of price on demand has been replaced by a more pragmatic argument about the trade-off between immediate profit and longer-term volume of sales. Evidence is now growing that weaker oil prices since 1986 have given a fairly strong stimulus to demand for crude, partly as a result of faster economic growth and partly because efforts to conserve oil or find substitutes have slowed.

This is good for Opec, but should provide a warning for the West, particularly for the US where rising demand results in increased oil imports. Cheap crude benefits Western economies, but excessively cheap petroleum products can give the wrong signal to consumers. In the absence of Opec, taxation policy could solve this difficulty, transferring oil's economic rent to the consuming countries and providing appropriate incentives for conservation. This possibility has been an additional spur to Opec to reach an agreement.

In a world where Opec still wields very great influence over the international oil market, a price of $15 per barrel, though high by historic standards, would not be absurdly out of line with the real level of oil prices for most of this century. If the new Opec agreement were to create greater stability in a more realistic price range, there would be some gains for the West.

John Lloyd reports from Tallinn on the upsurge of nationalism in the Soviet Baltic republics

Too much for Mr Gorbachev to give



Demonstrators in Tallinn earlier this month brandishing the flag of the Estonian Popular Front

"IT'S COLDER now than when we met in the summer," said the speaker to the crowd, and that was true enough. The wind blustering in from the Baltic a few hundred yards down the street was below zero. But he was being metaphorical rather than literal.

The crowd was Estonian, gathered beside Tallinn's new town hall on Saturday to demonstrate that resolutions, passed by their Supreme Soviet 10 days before, were the people's voice. These resolutions had, by ensuring an Estonian right of veto over Soviet legislation, turned Estonia from an integral part of the Soviet Union to a conditional one. They put the Soviet Union's smallest state (pop 1.5m) on the extreme edge of the movements for national autonomy which have been rushing through the two other Baltic republics of Latvia and Lithuania in recent months and which have found close comrades in Armenia and Georgia, beyond the Caucasus, and woken echoes even in the Ukraine and Byelorussia.

At root are different brands of suppressed nationalism, more or less strong. What has fanned them to active life are draft amendments to the Soviet constitution which, say the dissenting republics, give Moscow more control over their actions than the 1977 Constitution which they are amending. The amendments are due to be submitted to the USSR's Supreme Soviet today.

The warmer time was when popular fronts were formed, hundreds of thousands of signatures gathered, when the Latvians and Lithuanians came together in masses in city squares and in front of cathedrals, and when the Estonian Government seemed to fuse with its popular front. Driven by fears of pollution of their countryside, by the erosion of their difficult (and distinct) languages, most deeply by a horror of cultural and demographic swamping by the Russians – people seized the opportunities offered by perestroika and turned that Moscow slogan into a surge of long-suppressed nationalist fervour.

Not all republics have followed or will follow suit. The Soviet Union, the greatest multi-national state the world has seen, is dominated by Slavs: the Russians themselves, at over 140m, a majority of the 280m-strong nation; the 40m to 45m Ukrainians; and the 10m-plus Byelorussians. The two latter states have shown signs of producing popular fronts, but these so far appear to have had little effect.

The Soviet Union's Moslem peoples in their own republics – Uzbeks, Kazaks, Azeris, Tadjiks, Turkmens and Kirghiz – number, with the stateless Tatars, over 40m. They do rather well in their own states – even where, as in Kazakstan, they are a minority – and are now among the most loyal of the republics.

The old Christian nations of Armenia, Georgia and Moldavia account for over 12m. The first two of these are becoming more strongly nationalist.

The Baltic republics, with some 5m, are slipping demographically. Only the Lithuanians have birthrates as high as the Slavs, while the Latvians and Estonians are losing out. Professor Rasma Karklins, a political scientist at the University of Illinois, has shown ("Ethnical Relations in the USSR," Unwin, 1986) that they have been among the most hostile to the Russians of all Soviet people for some years: further, that the official Soviet picture of harmonious and comradely peoples growing towards socialism together is in many (not all) cases a false one, and that urbanisation and modernisation is now exacerbating tension. The surge from below in the Baltic states takes place within a union of nations, where any concession to one triggers off complex but spiralling reactions in all.

Yet, the Baltics have pressed ahead apparently heedless of the warnings from Moscow. The Lithuanian movement, Sajudis, declared (October 12) its main objectives as being "openness, democracy and the restoration of the political, cultural, and economic sovereignty of Lithuania." The Latvian Peoples Front (October 19) "regards as the aim of its activity the forming of a true government by the people and . . . a blossoming of Latvia's economy and culture, a settlement of the nationality problem."

But the Estonians have gone furthest. On November 16 in a 10-hour meeting of the Estonian Supreme Soviet, broadcast live by local television (thus displacing the central news, Vremya, from its all-channel, all-republic 9 pm slot – a huge act of lese-majesty), the Estonian Supreme Soviet voted by 254 votes to seven on an amendment to the Estonian constitution, which read: "Laws . . . of the Soviet Union come into force on the territory of Estonia once they are registered according to the procedure established by the praesidium of the (Estonian) Supreme Soviet." (In short, "We choose our legal relations with Moscow.") Further, it transferred ownership of land, resources, housing and enterprises from the USSR to Estonia, and legitimised private property.

These resolutions have brought a wind from Moscow colder than anything from the Baltic. In the past two weeks, a blast of sorrow and anger has roared into Tallinn. "Blatant excess," "hastily adopted," "at variance with the USSR Constitution" and "illegal" are a selection of epithets from the central press.

Pravda got an Estonian academician, Gustav Naan, former editor-in-chief of the Estonian official history, to call on his compatriots to "calm down and admit it: you went too far." Naan's article was reprinted in full in Estonian, by the Tallinn papers, which he had excoriated for submission to the Popular Front's line, thus making him perhaps the most unpopular man in the country. Slogans at Saturday's meeting read: "Pravda (the word means truth in Russian), where is your truth?" and "Naan, you are not speaking true (pravy)."

This was followed by the inevitable

– a declaration by the Supreme Soviet in Moscow on Saturday (just as the Estonian flags fluttered at the Tallinn meeting and the patriotic songs rang through tinny loudspeakers) – that the declaration of effective independence was illegal. President Mikhail Gorbachev devoted a major section of his speech to a root-and-branch critique of Estonian demands, which he clearly sees as even more threatening than the situation in Armenia and Azerbaijan, where virtual martial law has been declared.

These decisions, said Gorbachev, "affect the destiny of all of our union." The resolution on private property contradicted the achievements of socialism, which were "to stop the exploitation of man by man: it is a deeply erroneous decision."

Estonian land and property, he said, belonged not just to the state but to all Soviet people. The republic's success in producing finished goods was possible only by its import of raw materials from other parts of the Soviet Union at lower than world prices. Imported equipment had been sent to Estonia in higher quantities than any other republic.

Gorbachev's speech – passionately and closely argued, and said to have been angrily delivered – was an icy warning of limits grossly transgressed. At a Popular Front executive council meeting on Sunday, Indrek Toome, the newly appointed Estonian Prime Minister (his attendance in itself a vivid demonstration of the fusion between the Front and Government) said that, had he been Gorbachev, he would have done the same. But since he was Toome, he would stand where he was. The executive then passed a resolution rejecting Moscow's rejection of their Soviet's stance.

That attitude does not seem to be bravado, but no one knows what will happen. Mr Kostel Gerndorf, a 43-year-old economist who is one of the Front's leaders, says: "I don't think we are dependent on Gorbachev's opinion. This is perestroika, it is happening in Estonia. Conflict is the only way now, and we will go on." Mr Felix Undusk, a prominent Estonian TV commentator and Popular Front member, said: "There are two possibilities. We can refuse to legislate all-union laws or we quietly do nothing about them."

Much depends on the full session of the Supreme Soviet in Moscow today: not because it is conceivable that it will take a line different from the praesidium at the weekend – but because the Estonians will be able to see what support they have and will also learn how far the leadership is prepared to compromise on the draft amendments to the constitution which have sparked the protests. Undusk says: "If Moscow compromises on these, then that will be at least something. It will show a new process of change."

Meanwhile, in Estonia as elsewhere, other forces are gathering. The Estonian International Movement, largely composed of Russians and led by the director of the big enterprises under the control of the central ministries, are pushing their candidates for office in the Estonian Communist Party. Last week, the movement succeeded in replacing the pro-Popular Front First Secretary in Tallinn's "C" district with an International Movement nominee – the director of the main radio plant. Next month, it will try to take control of the Tallinn city party – where Estonians are a minority.

It is clear that the International Movement is directing its efforts at workers, especially in the large plants, and seeking to drive a wedge between them and the largely intellectual leadership of the Popular Front. For the Front it seems there is now no possibility of retreat: too much, too long suppressed, has been let out to be stuffed back without the kind of police action and political purging which Gorbachev has so far spurned. At the Stalino-classical mansion which houses the Estonian Council of Ministers, Mr Peeter Pahkla, Assistant Foreign Minister, talks of Moscow concerning itself in the future only with strategic matters in foreign relations and defence – leaving the republic to exercise autonomy in economic, social and cultural spheres, and even consulates.

He wants to stop the practice of young Estonians being sent to serve in the army elsewhere in the Soviet Union – a key part of the policy of ethnic mixing – and wants a new "contract" between the republic and the centre. "The Estonian people have woken up to political life, where before they were buried. There is a renaissance, which would not have been possible without perestroika."

For Kostel Gerndorf, a co-author of the Popular Front's IME plan for economic autonomy, the key is to turn the Estonian economy outwards and to introduce market relations. Private property, he says, must be expanded. He has no model of what kind of economy this might produce, but knows that the still-dominant practice of centralised socialism is one to be avoided. "People wiser than me have failed to define socialism. We don't have to follow any dogmatic model." Asked if the Front envisaged a multi-party system, Mr Gerndorf says: "Only time will give the answer. But we don't think it's impossible."

Both Mr Pahkla and Mr Gerndorf see Estonia as a European state, linked more closely to Finland, its nearest neighbour, and to the Scandinavian countries; anxious to be part of the closer integration of the West European countries. "We see our role as being intermediate between East and West," says Mr Gerndorf. Mr Pahkla says: "We are interested in finding our place again in the international division of trade."

The challenge of Estonia is not only, and not even primarily, in its insistence on the right of the veto over all-union laws. It is that in thinking through its future, the new leadership sees Moscow as playing a residual rather than a central role and that it now responds directly to the clamour for sovereignty. The country is not about to declare independence and is acutely aware of its size and vulnerability. But, for the moment, it claims more than perestroika can give: and it wants to take it anyway.

OBSERVER

The politics of LSE

■ The London School of Economics yesterday issued the first edition of a monthly newsletter for what it calls Parliamentary Friends of the LSE – that is, members of either House of Parliament who have taught or studied at the School. The list is long and catholic.

In the last general election 33 former LSE students were elected to the Commons: 15 of them Tories and 18 Labour. The Tories include Virginia Bottomley, Edwina Currie, John Moore, the Social Security Secretary, Richard Shepherd, the scourge of government secrecy, and – on the right of the party – Sir Rhodes Boyson and Ivor Stanbrook.

In the Lords the balance is quite different. Out of a total of 41, only four are Tories, though they include Lord Young, the Secretary of State for Trade and Industry, and Lord Cockfield, about to retire from the European Commission. There are 21 LSE Labour peers, 11 cross-benchers, 3 Social Democrats and two Liberals.

The Newsletter offers parliamentarians staff briefings on many of 16 new bills promised in last week's Queen's Speech. LSE experts cover not only water and electricity privatisation and monopolies and mergers, but also child abuse and football hooliganism.

And, of course, there is education. "The House of Lords is the most effective education lobby in the country," said an LSE man. "Half the university vice-chancellors are members."

Woolf's boots

■ *Harry Woolf, chairman and* largest shareholder in Underwoods, the chemist chain which yesterday announced it had agreed a £40.8m bid from Boots, had been planning to go to Moscow last Friday, the day after the approach was made. Spending the weekend doing the deal instead, he was heard to complain that in preparation for the trip he had already bought his boots. "No," said a colleague, "Boots have bought you." Woolf was on yesterday morning's flight to Moscow.

"Funny; it wasn't there yesterday."

Banks in TV

■ Who ultimately controls British commercial television? The rather surprising answer is that it is not the media barons, but the banks and their fund management companies. Barclays Bank and SG Warburg Group have especially strong interests, but there are others. Barclays tends to work through its BZW Investment Management arm; through five separate accounts it controls over 13 per cent of Ulster TV, and has sizeable stakes in HTV, Anglia, Scottish and Tyne Tees.

Warburg's biggest stake is 12.61 per cent in Central. It also has large holdings in London Weekend, Tyne Tees, Television South and TV-am. Norwich Union controls 7.25 per cent of Anglia.

A full breakdown is available in British Television: A Controllers Profile, released by Fulcrum Publishing today. The figures are of some relevance to the new broadcasting regime foreseen in this month's White Paper. They suggest that fund managers will play a large role in the buying and selling of television companies.

Trade figures

■ The Department of Trade and Industry is not the City's favourite government department at the moment. After last week's trade figures, the DTI faces the prospect of spoiling Christmas for many dealers.

Current account figures for November will be published on Friday December 23 – the last day of stock exchange trading before the break and traditionally an occasion for relaxing. Officially December 23 is a half day for the stock market. The mandatory quote period ends at 12 noon – half an hour after the figures are released. If trade is thin with many senior managers already on holiday, the market could prove volatile.

The DTI said it wanted to get the figures out before the holiday, and the 23rd – earlier in the month than normal – was the first date it could manage. The Stock Exchange said *that after figures are published* there is usually a 15 minute flurry of activity, but it thought half an hour's trading would be enough.

City analysts, however, are cynical. Ian Harwood, of Warburg Securities, said: "Put it this way. In the equity market there are two days when a company can produce bad results and be sure that they won't receive much attention – Budget day and Christmas Eve. Friday December 23 is as good as Christmas Eve."

Stalin helped

■ *This year's Reith Lectures,* as I have reported before, are exceptionally good. This evening's is more timely than ever. For Professor Geoffrey Hosking, discussing the Soviet Union, has reached the role of the ethnic minorities. He says that nationalism was unintentionally encouraged by Stalin.

However dictatorial the Soviet regimes were, they could not repress everything. Indeed in order to spread the Communist message effectively, Lenin embarked on a programme of elementary literacy. The best way of doing that was to let people be taught in their native language, which was frequently not Russian. So national consciousness grew. Then Stalin introduced the compulsory passbook in which all citizens had to list their nationality. Thus their awareness of their ethnic background increased further.

The fourth lecture is BBC Radio 4 at 8.45 pm. "The fact is," Hosking says, "and Soviet leaders must face it squarely, that the national question could break the Soviet Union."

Relativity

■ On the hoardings round the site of British Library in Euston Road are large pictures showing intellectual giants whose work has contributed to history. Next to one showing Albert Einstein there has appeared an advertisement for a low alcohol beer with the slogan: "Albert grudgingly admits that Bass low alcohol bitter is rather good".

LETTERS

British Steel's management deserves credit

From Mr Christopher Beauman.

Sir, The British Steel prospectus (November 25) coincides with the London Business School's Centre for Business Strategy study which demonstrates that the overall productivity improvement, which took place in British Steel in the 1980s, far outshone anything in the rest of the former public sector, including the middle-1980s privatisations.

Most people assume that this anomaly was due to Government policy for British Steel, together with the appointment of Ian MacGregor as chairman in mid-1980. But this leaves a conundrum: why was Government policy so much more successful at British Steel than elsewhere?

The clue is contained in the British Steel prospectus: "... in December 1979 the board of BSC resolved on drastic measures ..." The key difference was a board and a management which wished to achieve change.

The means of change was a cash limit established by (then) Sir Keith Joseph to eliminate BSC's demands on the PSBR (public service borrowing requirement) and to institute a new monetarist discipline on BSC. This was the framework for the plan, put forward by Sir Charles Villiers and Bob Scholey, "to reduce manned capacity by 30 per cent, to utilise remaining capacity fully, to rationalise working practices and to change the principles for determining pay settlements".

That plan led to the 13-week steel strike, which BSC management had to fight against the background of sceptical media ("the 2 per cent offer"), a disunited Cabinet, and nervous industrial consumers.

45,000 people left BSC in the first nine months of 1980, so that when Ian MacGregor succeeded Sir Charles Villiers as chairman the principal steel-making closures were in train, and he was able to consolidate the industry round a slightly slower pace of change. But through the steel strike BSC had achieved not only the required configuration of modern steel-making plant, but also a new pay structure focused on productivity, and the ability to set out on the eight years of hard management grind necessary to allow privatisation.

Nor was the 1979 decision quite the beginning of the story. BSC was unique in achieving a long list of plant closures (and 25,000 redundancies) in the last 18 months of the Labour Government – which gave few enough incentives for change.

British Steel was different because its management was different. From 1976 to 1981 I observed, from within British Steel, the extraordinary contrast between the public obloquy suffered by an industry losing up to £1m a day, and the high calibre of its managers, many of whom – unknown to the general public then and now – were running operations far bigger than most quoted companies. Most had benefited from the excellent United Steels graduate training programme.

"Between March 30 1980 and December 31 1985, Her Majesty's Government invested some £4.5bn in BSC." Now HMG stands to retrieve £2.5bn – a dramatic failure of monetarist orthodoxy. It has been an equally dramatic triumph as an industrial turnaround within the public sector – thanks to the initiatives taken by BSC's board and management over a decade.

Christopher Beauman,
35 Christchurch Hill, NW3.

Business management and health care do not mix

From Mr Alan Simpson.

Sir, As a health authority member and a councillor, may I remark on the view of Gordon Best, Kings Fund College (November 21), that the national health service (NHS) needs a further infusion of private sector management?

Many of the complexities and problems in the health service are beyond the experience of businessmen. For example, implementation of the Government's Care in the Community programmes requires co-operation and co-ordination between many agencies – family practitioner committees, health authorities, departments of local councils (education, housing and social services), private sector firms and a myriad voluntary and charitable groups – if scarce resources are not to be wasted.

The Audit Commission Report on mental handicap services showed that effective co-operation between all these bodies is the exception rather than the rule. My experience confirms this.

What is needed is not business management experience, but experienced, professional, public sector management with a thorough knowledge of the local government/health authority field and sound experience of the vital voluntary bodies. In the present situation these managers need firm support from health authority members and councillors with drive and imagination.

Comparison with other nations does not suggest that business management works well in the health care field. In the US, where private health systems dominate, the administrative costs are four times as high as they are in the NHS.

It can be reasonably argued that the NHS, like the air force, the army or the navy, is essentially a *service* organisation, with many of its key employees motivated by a strong sense of vocation ... a desire to *serve*.

Two main results of the recent Price Waterhouse survey into British nursing show that vocational drive was a powerful influence for young women choosing a nursing career; and that many general managers were, by their attitudes and practices, demoralising a significant number of nurses. Price Waterhouse recommended that general managers should change their attitudes. But – it could reasonably be asked – why were these managers recruited in the first place? Nurses are in short supply; a state of affairs which will get worse.

Even the most short-sighted management should understand that if there are not enough nurses to run our hospitals and staff local community services, enormous capital investments and irreplaceable infrastructures will become wasted assets. So the essential requirement is to improve nurse morale, not depress it.

How would the Japanese have dealt with the NHS? I am sure that they would have made any changes they thought necessary only slowly, with lengthy consultation. They would have understood that the health service was already an invaluable public asset which out-performs the health care systems of other nations.

Being outstanding managers, they would have understood the prime importance of maintaining staff morale. They certainly would not have alienated the nursing profession, which by devotion to duty and sheer professionalism has deserved much better treatment than it has received from the present Government.

The Royal College of Nursing has said, time and again: "No nurses – no health service". It is about time the NHS was run by somebody who understands that simple fact.

Alan Simpson,
11 Royal Road,
Teddington, Middlesex.

German M&A

From Mr Alexander Uberoi.

Sir, You quote Mr Andrew Garthwaite of Warburg Securities as saying that German companies supposedly are takeover-proof in general, and shareholder rights are limited (November 5).

Only about 20 German stock-market listed companies have voting rights limitations in their by-laws. The German *Aktiengesetz* contains more regulations restricting a company's defensive measures when trying to fight off a takeover than restricting the offensive movement of a predator.

German AGs (PLCs), for instance, must not purchase any of their own shares. Most "poison pill" moves as practiced in the US would not be legal because there must be no preferential treatment of "old" shareholders.

Mr Garthwaite is right to say that the German market has a reputation for poor treatment of the shareholders – an indication that the German stock market has great potential once the mergers and acquisitions business gets rolling.

Alexander Uberoi,
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Too close for comfort

From Mr A.J. Lucking.

Sir, British Airways (BA) claims that two-thirds of its planned recovery from the British Caledonian (BCal) fiasco will be achieved by cutting that airline's costs. But BA shareholders will note (annual report, page 60) that BCal's first quarter cost was 22.6 pence (per available tonne-km) against BA's 32.1p. The two airlines' costs were similar four years ago; after that BA's went up steadily; BCal's went down (Civil Aviation Authority figures).

By pushing BA's *economy* seats 3 inches closer together, and other measures, up to 13 per cent more economy passengers have been squashed into the 747 cabins. Yet further analysis of the recent CAA business travel survey data shows that while bankers, stockbrokers' analysts, television crews and oil companies use "first" and "business" classes; on long journeys 66 per cent of industrial executives – the greater number and the most important exchange earners – can afford only economy.

I wonder if privatisation is leading to misery for shareholders and passengers alike.

A.J. Lucking,
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Bow Street, WC2

Opt-out data

From Mr Roger Self.

Sir, Philip Jowett (Letters, November 19) found some differences between the Incomes Data Services (IDS) findings on the number of employees opting out of pension schemes, and a National Association of Pension Funds (NAPF) survey.

I wonder if the differences are all that great. Out of the existing scheme membership on April 6 (when compulsory membership of company schemes ended) we found that about 0.2 per cent had left their schemes. The NAPF figure is 0.4 per cent. Our data related in the main to the period up to the end of August; if NAPF data covered a longer period, the percentage would undoubtedly be higher.

We drew attention to a higher loss among eligible new recruits – an average of about 5 per cent. "Very few opting out" in no way reflected complacency on our part, but merely attempted to interpret our findings that 99.8 per cent of members had stayed with their company scheme and that 95 per cent of eligible new recruits had joined.

Roger Self,
Incomes Data Services,
193 St Johns Street, EC1

Eurobonds' positive impact

From Mr Shreesh Deshpande.

Sir, Your article "Investors in Eurobonds 'pay for anonymity'" (October 21) notes that Eurodollar bond yields have remained significantly below US domestic bond yields, thereby giving US companies a large borrowing advantage.

An interesting question which arises is: do US stock market investors recognise this borrowing advantage? The answer is: definitely.

Our research into a sample of US firms which issued Eurobonds from 1974 to 1984 found that the stock price impact of US firms announcing Eurobond issues is significantly positive.

This positive impact may be a reflection of the yield differential between the US and Euro-market but, in addition, it could also reflect the lack of restrictive covenants in Eurobond indentures.

In essence, when US firms borrow in the Euro-market there are almost no restrictions placed, for example, on how the firm could use the proceeds of the issue; on minimum required levels of net working capital; and on future dividend and capital structure decision.

This is in direct contrast to domestic (US) debt issues where covenants explicitly restrict managerial decision-making in the activities mentioned earlier.

Thus, although a lower yield is an advantage to the Eurobond issues, the absence of any substantial restrictive covenants must also be considered as another benefit, because although a Eurobond represents *external* (to the firm) financing, the lack of restrictive covenants makes it more akin to *internal* financing.

Shreesh Deshpande,
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Ill will for 'goodwill'

From Mr Richard Raworth.

Sir, As a non-qualified chief financial officer, I look with disbelief on the latest ideas on goodwill being proposed by the International Accounting Standards Committee (IASC).

Why do accountants not recognise that goodwill on acquisition is merely the difference between the net present value of a projected earnings stream (usually simplified into earnings times a p/e ratio), and the book value of the net assets acquired?

If the company producing this future stream of earnings is capable of continuing the growth implicit in the p/e multiple, then the value of its future stream of earnings will continue to be worth more than its net assets.

It is clearly illogical that two merging companies, creating no accounting goodwill, should show a higher future profit stream, because they have no goodwill depreciation, than two identical companies where one acquires the other, creating goodwill which depreciates through the profit and loss account.

This was already a serious issue. The new proposal – a mandatory five year period for goodwill write-off – turns it into a complete nonsense.

For instance, a service business with, say, £1m pre-tax profits and assets of £2m could be valued today, at a p/e of 10, at £6.5m. If the goodwill of £4.5m had to be written off over 5 years, the depreciation of £0.9m would cut the consolidated profit to £0.1m.

This is a complete misrepresentation of the true position. If anything like this standard is introduced, no sensible person will apply it, and the accounting profession will look as foolish as it did over inflation accounting.

Richard Raworth,
Hestair,
17 Buckingham Gate, SW1

South African business advertisements

From Mr Gerry Pocock.

Sir, I have noted with interest the series of advertisements, "The Voice of South African Business". It is indeed encouraging to learn that such enlightened attitudes and policies prevail in the companies featured. All favour non-discriminatory policies in training and promotion; racial discrimination is unknown.

One wonders that apartheid manages to survive at all when such powerful interests are seemingly against it. Nevertheless apartheid does still exist; institutionalised racial discrimination continues, accompanied by brutal repression of opposition.

A second feature of the advertisements is that they all oppose sanctions. Understandable, perhaps, coming from commercial firms pursuing their own interests. But my impression is that these advertisements are just part of the counter-sanctions campaign.

We meet the familiar argument that sanctions adversely affect millions of black South Africans; that sanctions mean "a world bowing to the dictates of revolutionaries seeking to serve their own selfish ends" (chairman of the Nedbank Group, FT, November 22).

The most dramatic period of economic growth in South Africa was up to the mid 1970s. Repression intensified, culminating in the Soweto massacre. It is at a time when the apartheid regime has faced economic difficulty, organised internal opposition and increased international criticism and pressure that questioning of the apartheid regime has grown in South Africa. If the international pressure were to subside, then the most likely result would be less impetus to end apartheid.

So these advertisements are less the enlightened statements they present themselves as being – more special interests anxious to dilute what is the international communities' most effective weapon against an intolerable evil.

Gerry Pocock,
International Secretary, Communist Party of Great Britain,
16 St John Street, EC1

FOREIGN AFFAIRS

The chance that should be grasped

Robert Mauthner calls for more permanent Western responses to Mr Gorbachev's initiatives

Kremlin-sceptics in the West can be excused for showing a little "Schadenfreude" at the latest consequences of glasnost and perestroika in the Baltic Republics. After all, it is not every day that the merchants of high political principles, be they of the Eastern or Western variety, are hoist with their own petard in such a dramatic fashion. President Reagan gave a demonstration of what it is like to find oneself in such an uncomfortable position during the Iran/Contra affair. Today, it is Mr Gorbachev's turn, as he finds the people of Estonia, Lithuania and Latvia taking him at his word when he advocates greater democratic freedom.

As the architect of the futuristic "common European home" watches the wings of his own national datcha go up in flames, those who see international relations mainly in terms of a permanent conflict between the capitalist and communist systems will be sorely tempted to cross their arms and watch the Soviet Union stew in its own juice. Even the less ideologically committed members of the "wait-and-see" brigade, whose once credible attitude is beginning to wear thin now that Mr Gorbachev has been in power for more than three years, have won a new lease of life.

"Let's wait and see how he manages to deal with the nasty problem of the ethnic minorities before we make up our minds finally about his capacity to survive or the sincerity of his reform proposals," is merely the latest version of many similar statements made since 1985.

The trouble, of course, is that we are unlikely to be certain on these two points, if ever, for many years to come. An ocean liner the size of the Soviet Union, weighed down with a huge ideological cargo and a politically anaesthetised population, cannot be turned round quickly.

Did anyone seriously think that after more than 70 years of a one-party system, the suppression of all political dissent and free speech, and a centralised economic system incapable of satisfying even the most modest demands of the population, the Soviet Union would be transformed into a pluralistic society almost overnight?

The unpleasant fact is that, even if Mr Gorbachev succeeds in pushing through his limited constitutional and economic reforms, Soviet society will still fall far short of the Western ideal, which may never be reached in practice. For the moment, one can only note that neither the Supreme Soviet, the top parliamentary institution, nor the President of the country, will be directly elected under the proposals being discussed by the Supreme Soviet this week. As for the economic reform programme, which is intended to give more management freedom to individual enterprises and to create a more realistic pricing system, it has hardly got off the ground.

Because of the length of time it will take for fundamental reforms to be implemented, no western leader can say when Mr Gorbachev has passed the examination which they have set him. Nor will it ever be possible to state with certainty whether Mr Gorbachev will last, or whether he is merely a kind of Halley's comet, here today and gone tomorrow, around whom it would be folly for the West to build its foreign and defence policies.

Even if Mr Gorbachev's reforms succeed, Soviet society will still fall far short of the Western ideal

As Mr Gorbachev is about to leave for the US for his fifth and last summit with President Reagan and an important first meeting with the President-elect, Mr George Bush, the time has come to drop the unsatisfactory durability criterion and to formulate a more permanent western strategy for dealing with the Soviet leader. But that, it must be recognised, is easier said than done, given the absence of a consensus on Mr Gorbachev's deepest motives and the direction he wants his country to take.

Western analysts disagree sharply, not only about the viability in the Soviet context of Mr Gorbachev's political and economic reform programme, but about the underlying objectives of his foreign and defence policies. Proponents of the worst case scenarios argue that a communist system and economy can never be "reformed" successfully. To be effective in practice the system must be replaced by western type capitalism. They also believe that Mr Gorbachev's entire foreign policy is directed at placing the West in an inferior military position through the denuclearisation of Europe.

These theories are cogently argued, but they tend to lead to the conclusion that Mr Gorbachev is not a man with whom to do business and that a return, if not to the Cold War, at least to confrontational East-West relations, is inevitable. Without rejecting all the elements of the worst case scenarios, there is a fast-growing school of thought that certain important aspects of Mr Gorbachev's "new thinking" and policies are worth taking seriously. Not only that, they should be actively supported to help strengthen his domestic position.

Mr Gorbachev, it is felt, has shown a laudable desire to break with the policies and practices of the past. Whatever his motives – and no-one is so naive as to doubt that Soviet interests are given priority – his policies are much more in line with Western thinking than those of any Soviet leader since the 1917 Revolution. Witness the progress made on the human rights front, the withdrawal from Afghanistan, the co-operation with the US in finding a solution to the Angola/Namibia problem and, more controversially, because of its impact on Western defence, the INF agreement of 1987 abolishing all land-based medium-range nuclear missiles. If Mr Gorbachev were to fail at home and be replaced, his successor might well revert to more traditional hardline policies at home and abroad, which would certainly not be in the interests of the West.

The probability that Mr Gorbachev is making all these desirable foreign policy moves because he wants to leave his hands, funds and energies free to deal with his huge domestic problems, does not alter the fundamental analysis. If the Soviet leader wants to buy international tranquillity in this way, that is a situation which should be exploited by the West, rather than used as an argument that Mr Gorbachev is not being sincere. It opens up opportunities for the solution of a whole host of international problems through agreements between the two superpowers, not least the Arab-Israel conflict.

One big caveat has to be attached to this relatively benign view of East-West relations, however. Disarmament is a field in which Mr Gorbachev is clearly trying to have it both ways. The Soviet leader, by advocating the eventual abolition of all nuclear weapons, including the short-range nuclear missiles based in Europe, wants to save money which he desperately needs for his economic perestroika. But at the same time he is attempting to weaken Nato by depriving it of an essential element of its flexible response strategy, thus increasing its vulnerability to the Warsaw Pact's greatly superior conventional forces. His overall objective is plainly to reduce Soviet defence expenditure with a minimum impact on the Soviet Union's military superiority.

That calls for vigilance and firmness by the West, which must make sure in the forthcoming conventional arms reduction talks that Moscow's superiority in conventional weapons and troops in Europe is eliminated. But the fact that the Soviet Union's arms control stance must still be treated with extreme caution should not deter Mr Bush from making good use of the most propitious climate for settling international problems that has existed at any time since the Second World War.

FINANCIAL TIMES
Tuesday November 29 1988

Bhutto set to become Pakistan premier

By Christina Lamb in Islamabad

BENAZIR BHUTTO now looks certain to become Pakistan's Prime Minister after reaching an agreement with the Mohajir Quami Movement which should give her an absolute majority in the country's National Assembly.

The agreement may end speculation that Ms Bhutto will not be allowed to form the Government because of her reputed unacceptability to the army.

Senior army sources now say that she must be given a chance for the sake of the unity of the country. Ms Bhutto is reported to have agreed to allow the army a say in the staffing of key ministries and the formulation of policy on issues such as Afghanistan and defence.

She admits that she will have to acknowledge the army's power. "It's like an unspoken word because we don't want to give the army any pretext to bring back martial law."

Ms Bhutto's Pakistan People's Party emerged as the largest single party in the general election a fortnight ago, with 92 of the 207 seats contested.

Both the PPP and its rival, the Islamic Democratic Alliance, have been conducting hectic negotiations to try to win the support of the MQM, which gained 13 seats.

Acting President Ghulam Ishaq Khan is due to announce a Prime Minister on Thursday.

Now that Ms Bhutto's party, with the NQM's support, commands a majority of seats in the national assembly, he will find it hard to deny her the nomination.

Mr Aitzaz Ahsam, a leading member of the PPP, said: "The President now has no other option but Benazir. To deny her the Prime Ministership would be both unconstitutional and undemocratic."

The MQM is particularly strong in Sind province, where it won almost all the urban seats in the provincial elections which followed the general election. The PPP had particular seats in the rural seats.

As the PPP is in a position to form a government in Sind, it was able to offer far better concessions to the MQM.

The MQM told the President yesterday it would back Ms Bhutto as Prime Minister and later signed an agreement in which the two parties agreed to co-operate at both national and provincial levels.

The announcement of MQM co-operation will boost the PPP's chances of forming governments in the provinces, as well as nationally.

The fact that the PPP now looks set to form the Government means many independent candidates who have been withholding their support are likely to align themselves with it, perhaps destroying the chances of Mr Nawaz Sharif, leader of the Islamic Democratic Alliance, forming a government in Punjab, Pakistan's largest and richest province.

The MQM, which represents mohajirs (migrants from India), first emerged on Pakistan's political scene in last December's local body elections, when it appeared almost over night and swept the polls in urban Sind, taking over the administration in Karachi, Pakistan's largest city, and Hyderabad.

The MQM's main demand is to be treated as a separate fifth nationality. Their 25-point charter includes a restriction of further migration into Sind of Pakistanis from other parts of the country. It is not yet clear how far the PPP has agreed to their demands.

Botswana's new-from-the-box boom

Proximity to South Africa brings benefits as well as costs, reports Nick Woodsworth

There is a phrase that is currently popular in Gaborone, the tiny, arid, sun-flooded capital of Botswana in southern Africa. It is not expressed in the curious clicking language of the Bushmen, the nomadic minority best known outside the country, and it has nothing to do with their fast-disappearing Kalahari desert lifestyle. It is instead a modern phrase, in English, and it typifies a new spirit, one far removed from the demands of a desert existence, that is transforming this nation of 1m people.

One hears it in Gaborone's shiny automobile showrooms, in its recently built shopping centres, on construction sites where a modern city skyline is rapidly taking shape. Wherever a new car, a machine, or a piece of pre-fabricated equipment can be seen, people will nod their heads admiringly. "New from the box," they will observe.

Gaborone is very much a new-from-the-box city, both in substance and ethic. It has all the characteristics, only too rare in Africa, of a prosperous boom town: a relatively affluent and fast-growing population, a modern and rapidly developing urban infrastructure, large and ever-expanding amounts of investment capital, and outlets providing an abundance of goods and services.

But while Gaborone is a thriving commercial centre - it is in fact the hub of the fastest growing national economy in Africa today - very little is produced here. Almost everything to be found in Gaborone is imported into land-locked Botswana in boxes, crates and containers, the larger items being assembled on arrival. Thus the "new from the box" expression.

What makes these imports significant in political terms is that the great majority come from South Africa, whose border lies less than 20km east of Gaborone.

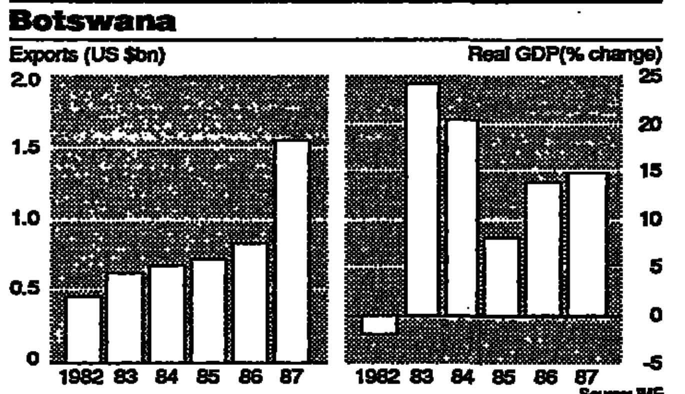
South Africa's economic dominance of Botswana is overwhelming and inescapable in Gaborone. An English visitor shopping in one of the city's well-stocked supermarkets would have to rely on an Afrikaans dictionary to read the labels. Some 90 per cent of the goods, including perishables such as milk and vegetables delivered daily, are from South Africa.

If the same visitor went into a bookshop he would find Botswana's three newspapers, but also a far larger selection of South African dailies. If he took a taxi back to his hotel he would find the car almost certain to have come from a plant in Durban or Port Elizabeth. The driver's clothing would be of South African manufacture. The petrol in the car's tank would come from a South African refinery.

Relaxing in his room at the city's Hotel President or the Gaborone Sun, the visitor might open a bottle of beer and turn on the television. On the South African channel – it seems to get the best reception – he could find Gary Player golfing or a sermon in Afrikaans by an elder of the Dutch Reformed Church. And while Botswana is now developing its own thermal generation capacity, even the electricity that powers the television is South African.

The beer at least, one might think, is a local product, for the tin is marked "Kgalagadi Breweries, Gaborone." Kgalagadi Breweries, however, are a subsidiary of South African Breweries of Johannesburg, and everything but the water comes from over the border. As for Gaborone's two quality hotels, they, also, are controlled by South African interests.

Botswana



Source: IMF

Like many of the other independent black states of southern Africa, Botswana is far from independent economically. It relies for its prosperity on a wide range of inputs from South Africa, as well as large measures of technology and managerial skill. If South Africa wished to bring Botswana to its knees overnight, it could do so without firing so much as a single shot.

Neither country, however, wishes to disrupt what has been a highly profitable, if sometimes stormy, relationship. At independence in 1966 Botswana was one of the 20 poorest countries in the world. Its new-found prosperity comes from diamonds, which now provide 75 per cent of its total earnings and on a per capita basis make it one of the wealthiest non-oil exporting countries in Africa.

The third largest diamond producer in the world, Botswana now has more than $2bn in reserves, an impressive figure in a debt-strapped continent, and enough to pay for more than 2½ years' worth of imports.

Botswana depends heavily for this wealth on the technology and expertise of the De Beers Consolidated Mining Company, the South African diamond mining giant which has a 50 per cent share in Debswana, the sole diamond mining concern in the country. De Beers, for its part, has found an invaluable partner in the Botswana Government. It is estimated that up to 80 per cent of De Beers profits now come from its Debswana operations.

With such large profits at stake, both partners are willing to go some way towards political compromise. As a member of the anti-apartheid "front line" states Botswana is in theory actively opposed to the South African regime. It is also a member of SADCC, a regional economic grouping formed to lessen independence on South Africa.

In reality, however, it sees itself as having little choice on the question of sanctions and as compelled to co-operate with its more powerful neighbour.

It refuses, however, to sign a "mutual security" pact South Africa has long tried to force on it, and continues to give refuge to ANC militants. As a consequence it has from time to time in the past suffered South African Defence Force raids on its territory.

While the Botswana Government would like to keep good relations with South Africa, they may see the resulting border tensions as worth bearing. Botswana's leaders are not willing to discount the possibility that one day the all-important South African relationship may be conducted with an ANC-led government.

Until Botswana is able to diversify its economy and generate local production of a wide range of products, it will continue to depend on South Africa, whether white or black ruled.

Considerable effort has already gone into domestic investment and import substitution, but given the country's lack of alternative natural resources and a harsh climate unsuitable for agriculture, self-sufficiency is still a long way off. In the meantime Botswana must carry on living from boxes.

PAC president's call, Page 6

THE LEX COLUMN

Opec's strength from weakness

US Treasury bill rates have gone up by 100 basis points since the last rise in US prime rates in August, so there must be a worry that yesterday's half point rise in prime, to 10.5 per cent, will not be enough – especially if this week's US GNP and employment numbers prove more robust than expected.

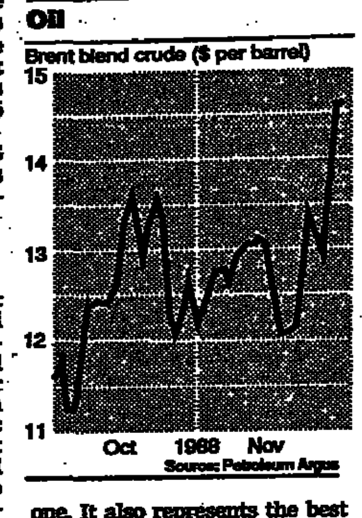
Opec

Yesterday's Opec agreement had compromise written all over it, but given the intransigence of its members was all the greater an achievement for that. The new quota of 18.5m barrels a day is a realistic enough balance between what members want to produce and what the market is willing to absorb. Better still, all 13 members are in harness, and this time seem resolved to pull in the same direction.

Yet the oil market seems to have its doubts, and even during the initial burst of relief yesterday at being delivered from single figure oil prices, Brent could not reach $15. This time it is right to be sceptical. Even on the assumption that Opec actually delivers a 3m barrels a day cut in output in time for the new year sales, the numbers still do not quite add up; and taking into account the inevitable slippage by Opec's pathological cheaters, supply may exceed demand by enough to suggest a price of $12 or $13 by the spring.

Moreover, the ungainly last minute scramble over prices was a reminder of the delicate and temporary nature of the agreement. In one sense, the sniping over $15 versus $18 as a target price was irrelevant, as the upper limit is well out of reach even given the new production ceiling. However, the conference proved that Opec is united in one thing only: oil prices below $12 or so are intolerable. When it comes to agreeing on the aim of the exercise, members are as divided as ever - scarcely the sign of a cartel in control.

Oil



Source: Petroleum Argus

Hanson

Hanson's decision to rope in £1.8bn ($3.2bn) of past goodwill for the purpose of calculating its borrowing limits is a curious twist in the debate over accounting for intangibles. The purpose is plain enough: not merely to push the borrowing ceiling up to a formidable £11bn, but to ensure that goodwill resulting from any future acquisition will not affect the ability to gear up for the next one. It also represents the best of both worlds. Goodwill is written straight off the published balance sheet, UK-style, and then depreciated US-style, but without affecting the profit and loss account. Hanson may not have much interest in the shape of its formal balance sheet any more, but it evidently cares about its income statement.

Despite apparent similarities with the system of brand valuation announced last week by RHM, the principle is quite different. RHM is attempting to prop up balance sheet values, Hanson to do away with them. Hanson is saying, in effect, that it buys companies for their cash flow, and that the actual price paid is a guide to the borrowings these businesses can support. This echoes complaints made yesterday by BET, and points up a perfectly genuine problem: buying non-physical assets systematically understates shareholders' funds in relation to the business. Perhaps Hanson should be more radical again, and propose to its shareholders that borrowing limits should be set purely in relation to cash flow or earnings. That is bankers' – and US – thinking, but it is also the way the world is going.

BET

Any manager who has ever had to think about the supply of loo rolls in the company toilets must be tempted by BET's offer to worry about all of that for him. There is ample evidence in yesterday's interim figures that more and more companies are indeed choosing to leave such things to BET, and focus their efforts on more esoteric activities like making money. But while everyone agrees that support services are a growth market, the catch comes in predicting just how fast and far the market will expand – or even, given its extreme fragmentation, how quickly the sector is growing at the moment. And though BET clearly has grand ambitions to dominate many areas of the market, and has bought some 200 companies in five years to strengthen its position, its rate of growth in earnings per share leaves it open to the charge that it is forever travelling but never managing to arrive.

There is little sign that BET will stop buying service companies in the near future, though: its gearing could well rise from 30 per cent at the half year to nearer twice that by year end. And though BET may well argue that balance sheet gearing is irrelevant to judging the financial health of companies which spend most of their money buying goodwill, the City of London may still prefer to look at gearing in balance sheet rather than income terms. A prospective yield of nearly 7 per cent should protect the shares from too much City disapproval in the short term; but earnings per share growth of 12 per cent for the full year may not excite much admiration.

Brent Walker

If Brent Walker wants to improve its image in the City, it is going about it in a curious way. Even by the company's own buccaneering standards, a £180m acquisition of Lonrho's European wine and spirits division is rather breathtaking, both in terms of the size of the deal and the price. The company is paying the equivalent of its own stock market capitalisation for a business which has a book value of £45m and made pre-tax profits in its latest year of £2.2m. Mr Walker may be a shrewd deal maker, but yesterday's explanation that this latest departure is no different from brewers getting into leisure is hard to swallow, since the point about leisure is that it is a growth business.

Brent Walker needs to earn close to £20m from its new acquisition to cover its financing costs; and while there may be some economies in pushing White & Mackay brands through the 386 pubs Brent Walker bought from GrandMet, this is hardly the basis for a viable integrated drinks company. There may be more to the deal, but it would be nice to be taken into Mr Walker's confidence.

Lonrho sells wine, spirit groups to Brent Walker

By David Waller in London

LONRHO, the UK-based international trading group which is being stalked by Mr Alan Bond, the Australian entrepreneur, is to sell its wines and spirits businesses to Brent Walker, the rapidly expanding property and leisure group, for £180m ($330m) in three cash tranches of £60m.

The main businesses being sold are Whyte & Mackay, a whisky distiller and distributor with a 15 per cent share of the UK Scotch market, and two wine companies which own four vineyards in the Bordeaux region of France, including the Chateaux Smith Haut-Lafitte and Rausan Segla.

Collectively, the companies made a pre-tax profit of just £2.2m in the year to the end of September, prompting comment among analysts to the effect that Lonrho had made an excellent deal and that Brent Walker had agreed to pay far too much. Net assets at the year end stood at £45m, excluding whisky stocks.

Lonrho said that the disposal was a purely commercial transaction, but analysts took the view that it was designed to display the store of asset value locked up within the group, which has interests ranging from mining to vehicle distribution and publishing.

It was also thought that the disposal could make Lonrho less attractive to Mr Bond, who owns 21.5 per cent of the company. Shares in the multinational dropped 10p to 379p in London.

Mr George Walker, the former boxer who is now chairman of Brent Walker, said that the acquisition was part of a well-defined strategy of expanding in the drinks business. Brent Walker entered this area earlier this year when it bought 386 pubs from Grand Metropolitan.

Little financial information was given yesterday. Mr Walker said the assets being acquired would be revalued and a circular sent out to shareholders by the end of next week; the deal is subject to shareholder approval.

Brent Walker's shares dropped 20p to 334p. Stockbrokers, alarmed at the thought that Mr Walker is venturing into a competitive market of which he has no experience, were also worried about the lack of information and the price paid for the businesses.

Mr Walker said that the synergies with his leisure and property businesses were enormous and said profits would have been higher if interest payments were added back (Lonrho is paying off debts of £39m with the proceeds).

London acts to stem rise in £

Continued from Page 1

els reached in early trading yesterday. The dollar was lifted briefly by news that major US banks had raised their prime lending rates to 10.5 per cent from 10 per cent, causing the pound to close lower at $1.8370 compared with $1.8440 on Friday. The Bank of England's trade weighted sterling index closed at 77.7, up 0.1 on Friday's closing level

Sterling's late decline was mirrored by a slight recovery of British share prices on the London stock market. However, analysts said the partial recovery of equity prices was more a reflection of small buying interest in a lacklustre market than a direct reaction the pound's movements.

The FT-SE 100 Share Index closed at 1,781.5, down 13.2, after falling to 1775 at one stage. The FT Ordinary index lost 9.7 to 1,452.9.

With the market at yesterday's levels, analysts calculated that British Steel shares could still open at a premium of around 6 or 7 pence to their 60 pence partly-paid subscription price when dealings begin on December 5. Although equity prices fell sharply on Friday and declined again yesterday, the shares are underpinned by a high 16 per cent annualised yield on the first instalment

Egypt, Jordan press for US focus on Middle East

Continued from Page 1

cumvent the US visa ban and keep the spotlight on his organisation's decision to renounce terrorism and accept UN Security Council resolutions 242 and 338.

The London-based newsletter Mideast Mirror yesterday published a detailed rebuttal by Mr Bassam Abu Sherif, a close aide to Mr Arafat, of Israeli and American claims that the PLO's recent decisions amount to a "PR gimmick." He reaffirmed that the PLO had fully accepted Israel under the terms of resolution 242, which requires the Jewish state to withdraw from territories it occupied in 1967, and had explicitly renounced terrorism.

The other target for the current rash of diplomatic activity is the European Community, where criticism of the US decision to deny Mr Arafat a visa was mounting yesterday. France, Italy, Belgium, West Germany and the Netherlands have all spoken out against the move.

In more muted terms, Britain's Foreign Office said yesterday that the issue of the visa was a US affair, but added: "For our part we would have liked to hear Mr Arafat confirm in New York that the PLO favours an international conference and rejects terrorism."

EC member states – and the Soviet Union, which also criticised the US action yesterday as a breach of Washington's 1947 headquarters agreement with the UN – are anxious to be seen to encourage the more moderate course charted by the PLO in Algiers. They are a good deal less sceptical than the Reagan Administration, and also want to encourage Mr Bush's team to think again.

Britain, for example, is known to be reconsidering its ban on ministerial meetings with the PLO, though senior officials cautioned yesterday that this was unlikely to result in anything as high-level as a meeting with the Foreign Secretary.

The Iraqi leader's unexpected arrival in Cairo yesterday also highlighted recent swift progress in Egypt's return as a central player in regional diplomacy. President Mubarak played "nursemaid" late in October to a reconciliation between Mr Arafat and King Hussein.

Since then, Egyptian officials have been heartened by growing signs of Arab acceptance that Egypt – the only Arab state to have made peace with Israel – can play a role in Middle East mediation. Only Syria, Libya and Lebanon have not resumed relations

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	F	10	50	Malta	-	-	-	Rhodes	F	15	59
Algiers	F	17	63	Edinburgh	S	10	50	Manchester	R	10	50	Rio de J'o	C	32	90
Amsterdam	R	07	45	Faro	S	17	63	Manila	F	27	81	Rome	F	14	57
Athens	C	13	55	Florence	S	09	48	Melbourne	F	16	61	Salzburg	S	04	39
Bahrain	C	24	75	Frankfurt	C	06	43	Mexico City	C	25	77	San Francisco	F	17	63
Bangkok	F	30	86	Funchal	F	20	68	Miami	F	26	79	Seoul	F	08	46
Barcelona	S	12	54	Geneva	G	02	36	Milan	S	06	43	Singapore	C	30	86
Beirut	C	16	61	Gibraltar	C	15	59	Montreal	C	13	55	Stockholm	C	00	32
Belfast	F	08	46	Glasgow	S	10	50	Moscow	C	-4	25	Strasbourg	F	03	37
Belgrade	S	04	39	Guernsey	R	10	50	Munich	F	01	34	Sydney	F	21	70
Berlin	C	06	43	Helsinki	F	-6	21	Nairobi	C	22	72	Taipei	F	19	66
Biarritz	S	13	55	H. Kong	F	20	68	Naples	S	14	57	Tangier	F	17	63
Bombay	S	29	84	Innsbruck	S	02	36	Nassau	C	29	84	Tel Aviv	F	19	66
Bordeaux	C	03	37	Inverness	R	09	48	New Delhi	F	23	74	Tenerife	C	21	70
Brussels	C	05	41	Islamabad	F	23	73	New York	F	18	64	Tokyo	F	12	54
Budapest	S	03	37	Istanbul	C	08	46	Nice	F	13	55	Toronto	C	07	45
B. Aires	C	25	77	Jakarta	C	32	90	Nicosia	-	-	-	Tunis	C	17	63
Cairo	F	22	72	Jersey	R	09	48	Oporto	S	14	57	Valencia	S	14	57
Cape Town	S	18	64	Jo'burg	C	27	81	Oslo	Sn	-4	25	Venice	S	09	48
Caracas	C	25	77	Lima	C	23	73	Paris	C	08	47	Vienna	F	05	41
Casablanca	S	17	63	Lisbon	F	17	63	Peking	-	-	-	Warsaw	C	05	41
Chicago	C	04	40	London	C	10	50	Prague	C	04	39	Washington	R	11	52
Cologne	C	05	41	Los Angeles	F	23	74	Reykjavik	F	03	37	Zurich	C	01	34
Copenhagen	R	04	39	Luxembourg	Fg	-1	30								
Corfu	F	15	59	Madrid	F	14	57								
Dallas	F	-1	30	Majorca	S	18	64								
Dublin	F	12	54	Malaga	S	18	64								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US in grain pact with Moscow

Continued from Page 1

Doumeng, chairman of Interagra, said the deal had been concluded in Moscow following the visit last week by President François Mitterrand.

At the US-Soviet signing ceremony, Mr Yuri Chumakov, Soviet Deputy Minister for Foreign Economic Relations, said the grain pact with Washington was "the most efficient and effective of all the agreements in operation between our two governments." However he expressed disappointment at the failure to agree on a new five-year deal, which the Soviet Union had sought to extend into a wider agreement to boost two-way trade.

He admitted that it fell short of US hopes to raise the minimum level of Soviet purchases – the US originally called for a minimum 17m tonnes a year and the Soviet side proposed only 6m tonnes.

The key sticking point in negotiations was not so much the level of guaranteed grain sales, but the insistence of the Soviet Government on including other trade issues, he said. Moscow sought to include better access for Soviet ships to US ports and an agreement to expand bilateral trade.

"We wanted a pure grain agreement," he said. "It took a while before we realised how insistent they were that those provisions be in, and they realised how insistent we were that they should not be in."

Mr Chumakov refused to reveal the level of the last Soviet grain harvest, downgraded by the US Department of Agriculture to 200m tonnes, compared with 211m tonnes last year. The target was 230m tonnes.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 29 1988

INSIDE

Saturne's orbit fits the bill

As the French equity and bond markets are busy preparing for the introduction of a more reliable settlement system at the end of next year, where delivery will coincide with payment, the Treasury bill market has had a similar system up and running successfully since September. George Graham reports on the Système Automatisé de Traitement Unifié des Règlements de Créances Negoçiables, alias "Saturne." Page 29

No panic in Stockholm

There are no signs of panic or pessimism in Stockholm stock market. Instead the bourse has taken last week's tax reform proposals from the ruling Social Democrats in its stride and has notched up a rise in the Veckans Affärer index and a noticable increase in turnover in the aftermath of the tax package announcement. Robert Taylor reports on the mood in the Swedish market which is returning to its all-time high, achieved on the eve of the October 1987 crash. Page 46

Cruising to the top of the league

With its agreed $625m offer for Seattle-based Holland America Line, Miami-based Carnival Cruise Lines has sailed past rivals Peninsular & Oriental Steam Navigation of the UK and Royal Admiral Cruises of Norway to the top of the world cruising league. Financial Times writers look at how Carnival's original plan to buy Royal Admiral, owner of Sovereign of the Seas (above), the largest cruise ship in the world, was thwarted. Page 30

Californians dreaming of lower insurance premiums

Californians pay a total of $30bn every year in property and casualty insurance premiums, so it was not surprising that earlier this month they passed Proposition 103 in a referendum vote, which requires premiums — including those for auto insurance — to come down by 30 per cent. Page 26

Focus shifts at Société Générale

Proposed closer links between French nationalised banks and insurance groups could have important repercussions on the battle for control of Société Générale, the leading French privatised commercial banking group. Three leading state insurance groups are SocGen shareholders, and that has fuelled speculation that the French Government is leaning on them to play an active role in the battle, shifting the focus from Mr Georges Pebereau (above), who led the original raid. Page 38

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Nixdorf	333.3	—	27.8
Schering	547	—	15.5
RWE Ord.	230	—	5.6
Kaufhof Ord.	367	—	8.5
Bay Vereinsbank	353	—	7
Commerzbank	234	—	4.5
NEW YORK ($)			
Rises			
IBM	$117\frac{5}{8}$	+	$1\frac{5}{8}$
Kimberley-Clark	$57\frac{7}{8}$	+	$1\frac{3}{4}$
Mobil	$44\frac{1}{4}$	+	$\frac{5}{8}$
UAL	107	+	$3\frac{1}{2}$
Falls			
Ford	$49\frac{1}{2}$	—	$\frac{1}{2}$
Proctor & Gamb.	$79\frac{7}{8}$	—	$\frac{3}{8}$
PARIS (FFr)			
Rises			
Eurotunnel	50.9	+	2.9
Esso	298	+	21
BP France	73.8	+	2.9
Cadeltel	184	+	6.6
Falls			
Screg	862	—	32
Damart	3180	—	120
TOKYO (Yen)			
Rises			
Y-E Data	2150	+	280
Mabuchi Motor	4800	+	410
Orient Fin.	1350	+	100
Falls			
Nichiei	1980	—	400
Dai Nippon Toryo	970	—	120
Tokai Carbon	979	—	121

New York prices at 12.30.

LONDON (Pence)			
Rises			
Booth Inds.	120	+	11
Hammerson A	872	+	10
Lloyds Chemists	149	+	5
Morgan Grenfell	297	+	5
Nordic I.T.	65	+	6
Ryl.Bk.of Scot	367	+	6
STC	265	+	$6\frac{1}{2}$
Underwoods	144	+	53
Falls			
Acatos & Hutch	250	—	20
Baker Harris	283	—	12
Brent Walker	334xd	—	16
Brit. Aero	428	—	15
Connells Est.	215	—	14
Costain Grp.	301	—	12
Cowie (T.)	132	—	8
DRG	451	—	13
Davy Corp.	186xd	—	$11\frac{1}{2}$
Eng.China Clay	452	—	20
ICI	985	—	23
Lonrho	379	—	19
M & G Grp.	272	—	11
Mersey Dock	488	—	24
Wellcome	439	—	11
Wiggins Grp.	239	—	20

Hanson plans to increase borrowing limit to £11bn

By Richard Waters and Nikki Tait

HANSON, the acquisitive UK conglomerate, yesterday announced plans to seek shareholders' approval for a significant increase in its borrowing powers.

If the proposals are approved, Hanson's borrowing limit will go up from about £6.5bn ($3.6bn) to £11bn. The proposals will be put to shareholders at meetings called for December 22 but Hanson played down speculation that a big acquisition was imminent.

The rationale behind Hanson's proposed increase brings the current debate about acquisition accounting, and the treatment of goodwill arising on acquisitions, to the fore.

Hanson's articles of association — amended in July 1987 — allow it to borrow up to two-and-a-half times share capital and reserves, with the provision that cash deposits can be deducted from borrowings.

Like most British groups, it writes off any goodwill arising on an acquisition against reserves in the year during which the purchase is made. Thus, in calculating borrowing limits, the amounts attributable as goodwill have to be deducted from the figure for share capital and reserves. That pushes down the amount which can be borrowed.

Hanson plans to treat goodwill arising on acquisitions as an asset when it calculates borrowing limits. With that in mind, it says the immediate effect, based on consolidated net assets at September 30, would be a substantial increase in borrowing powers to £11bn — a reflection that the company already has "purchased goodwill" of about £1.8bn.

Hanson says its published balance sheet will be unaffected, and that the calculation will be done just for the purpose of the borrowing limit sum.

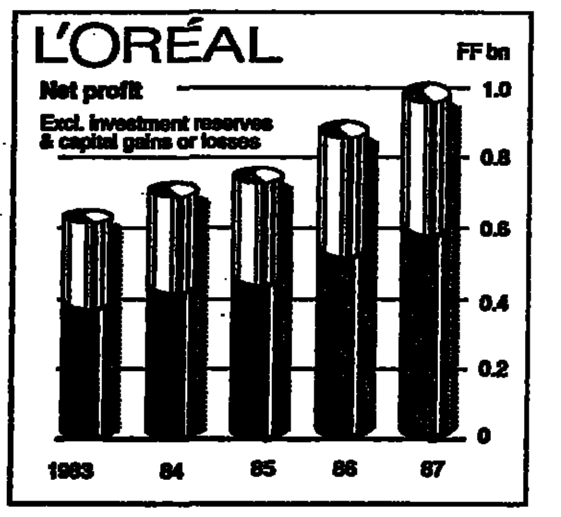
That raised eyebrows in several accounting firms last night. "It poses an interesting question as to what Hanson thinks its real balance sheet and earnings are," said Mr Roger Munson, chairman of an Accounting Standards Committee working party, set up earlier this autumn to propose changes to how companies account for goodwill.

The implication of Hanson's move — that its published balance sheet does not show its true worth — also intensifies pressure on the accountancy profession following last week's announcement by Ranks Hovis McDougall, the food and drinks group, that it has placed a value on its brands.

Both are attempts by companies to shake off what they claim are artificial restrictions imposed by accounting conventions.

In his letter to shareholders, Lord Hanson, chairman, says that some of the company's larger institutional shareholders and loan stockholders have indicated support for the moves.

Lex, Page 24



Marketing more than simple hope in a jar

Paul Betts profiles the new head of L'Oreal, the leading beauty products group

Mr Lindsay Owen-Jones cuts an unusual figure for a PDG, the traditional acronym for a chief executive or "president directeur general" in France.

He is only 42; he is a product of Oxford University and not one of the traditional "grandes ecoles" which have groomed generations of top businessmen, civil servants and politicans in France; and what is more he is Welsh.

But if he seems to have the most unlikely qualifications to head one of France's leading multinational companies, his appointment as chairman of L'Oreal two months ago came as no surprise inside the French group, which is the world's leading cosmetics company and has just reinforced this position with the takeover of Helena Rubinstein, the US beauty group.

"No one thinks of me as a Brit, but as a familiar face in the company who happens to have a slightly strange sounding name," Mr Owen-Jones remarks pleasantly in his Oxbridge accent. "I am a classic product of a company which has only one nationality — not French, but L'Oreal-ienne."

He has spent all his working life at L'Oreal. But that again is not unusual. "This company has always adopted an almost Japanese policy to employment," he explains. "Nearly all senior positions are filled by people promoted from within and nearly all of us started our careers in our twenties. Indeed, it is virtually unheard of at L'Oreal to recruit people over 30 and the majority of people stay with the company all their professional lives."

The company has had only four chairmen since it was founded by Mr Eugene Schueller, a chemist, 80 years ago, and management continuity has long been regarded by L'Oreal as "one of the absolute key elements of success in the cosmetics business", Mr Owen-Jones says. "This is a much longer term business than it seems. It takes between 20 and 30 years to build up a cosmetics name and you can destroy it in a much shorter period."

The other components of the "L'Oreal system" are an obsessive emphasis on research and innovation as well as on marketing and international growth. "The fact that L'Oreal was founded by a chemist is a key point," explains Mr Owen-Jones. "This is what perhaps differentiates us from most people in the cosmetics business. While other companies tended to cultivate the idea of selling hope in a jar, we on the contrary made a very basic choice that success for us would be our ability to innovate technically." L'Oreal has thus spent the equivalent of about 5 per cent of sales every year on research and development, and this policy will be pursued by the new chairman.

The strategy has certainly paid off. The company has maintained steady double digit growth in profits and sales in recent years. Analysts expect sales to rise by more than 17 per cent this year compared to 1987's consolidated turnover of FFr20.1bn ($3.38bn). Profits, which totalled FFr1.09bn last year, are forecast to rise by about 20 per cent.

Mr Owen-Jones is committed to maintaining L'Oreal's business focus firmly on its core cosmetics operations, even though the company has begun to diversify into new sectors in recent years. Fifteen years ago L'Oreal acquired control of Synthelabo, a French pharmaceutical company which now accounts for about 15 per cent of group annual sales.

There has been persistent speculation over L'Oreal's commitment to pharmaceuticals, but Mr Owen-Jones suggests that the company regards Synthelabo as a long-term investment which could provide important contributions to its cosmetic R&D activities.

The company has also diversified into the media business. It has acquired a "window" on the film and television industry, by setting up a new company called Paravision Internationale to create, produce and distribute films on a worldwide basis. The company also owns a 7 per cent stake in Canal Plus, the French pay television network, and a 49 per cent interest in Marie-Claire Album, which publishes the French edition of Cosmopolitan.

"It seems to make sense for a company which spends so much on advertising and marketing to have a direct presence in these businesses," Mr Owen-Jones explains. "We felt there was both a business and learning opportunity in this sector because we want to understand the economics of the whole media system."

But cosmetics remain the undisputed priority of the group. Mr Owen-Jones believes growth prospects in the cosmetics industry remain "reasonable". Moreover, he is confident that L'Oreal can continue to grow in this business even though it is already the world leader. "We still only have 8-10 per cent of the world cosmetics market even though we are the world's largest cosmetics company. This suggests there is some reasonable room to grow from within on top of the general world market growth."

After positioning itself strongly in the European, US and Japanese markets, Mr Owen-Jones is now also looking at opportunities in Communist block countries and developing nations. Indeed, L'Oreal is negotiating setting up a joint venture company in the Soviet Union and to build a second cosmetics plant in China.

It has also consolidated its leadership position with the Helena Rubinstein acquisition. Nevertheless, the company, unlike many of its competitors, continues to adopt a very cautious and pragmatic approach to acquisitions. "We believe that an acquisition is a much more expensive way to be present in a business than developing it from scratch ourselves," explains Mr Owen-Jones.

Most of the group's acquisitions have been very small companies which it has developed into large worldwide operations. Examples include Vichy and Lancome.

"This is another aspect of the L'Oreal system," Mr Owen-Jones says." The group is a collection of small companies. We want to keep it like that because it generates jobs, opportunities and new brands. And there is always competition between all these companies. Only R&D and overall management control is centralised."

Another example of L'Oreal's acquisition strategy is the group's recent purchase of Goupil, a French toothpaste manufacturer. Essentially a domestic business, L'Oreal now intends to develop Goupil internationally and launch its products in other markets.

Unlike many other large French groups with relatively vulnerable shareholding structures, L'Oreal also feels secure because of its solid and stable ownership structure. "There is little prospect of L'Oreal becoming a takeover target," says Mr Owen-Jones confidently. For since 1974, the majority of L'Oreal has been owned by Gesparal, a French holding company 51 per cent held by Mrs Liliane Bettencourt, the daughter of the founder of L'Oreal, and 49 per cent owned by Nestlé, the Swiss multinational food group. Nestlé has pre-emptive rights should Mrs Bettencourt decide one day to sell some of her shares. But Mr Owen-Jones says there is a solid and constructive relationship between L'Oreal and Nestlé.

"You cannot call them a sleeping partner. But there is a real recognition of the many differences between their businesses and L'Oreal. There is also a real respect for L'Oreal's autonomy. However, they have been helpful whenever we have sought their advice or support. This was the case when they helped us set up a Lancome subsidiary in Japan where Nestlé already had a deep knowledge of the local market."

Boots pays £40.8m cash for rival London retail group

By Maggie Urry in London

UNDERWOODS, the loss-making London-based retail chemist, has accepted a £40.8m ($74.6m) cash takeover offer from Boots, the UK retail and industrial group which owns the 1,000-shop Boots The Chemist chain.

For Boots, the deal will mean a greater presence in the London area, where it has long been under-represented. A further attraction for it is that all but two of Underwoods' 50 shops have a pharmacy. Following a change in the law 18 months ago, it has become much harder to open new pharmacies with National Health Service contracts.

For Underwoods, the offer represents the end of a chequered stock market career which began brightly in October 1985 when its offer for sale by tender was oversubscribed 22 times. But over-ambitious expansion and problems of shrinkage, or loss of stock, then hit profits.

In early 1987 the company held abortive takeover talks with Woolworth Holdings, turning down an offer rumoured to have been at around 250p a share, compared to the 180p flotation price.

Boots' offer is worth 150p a share, with a loan note alternative, and last night the shares closed at 144p, up 53p. Boots' shares, which went ex-dividend, fell $7\frac{1}{2}$p to 218p.

It also emerged yesterday that the Boots bid had topped an unannounced 120p a share buy-out package which Mr Alan Gaynor, Underwoods' managing director, had assembled last week. Mr Gaynor was brought in less than a year ago to solve Underwoods' problems.

Boots, which made its approach last Thursday afternoon, hours after announcing its interim results, already has irrevocable acceptances covering 64 per cent of the share capital from some Underwoods directors and their families — notably Mr Harold Woolf, chairman, and Mr Brian Kerner, a non-executive director, who had run the company for more than 25 years before bringing it to the stock market.

The bid is conditional on there not being a reference to the Monopolies and Mergers Commission. Boots said that in only one area of London would it and Underwoods together have over 20 per cent of the pharmacies. In two areas the combined group would have over 11 per cent.

Boots plans to turn most of the shops into Boots stores with a particular emphasis on health and beauty, at a cost of £5m.

Photograph, Page 33

Arthur Andersen to retain its consultancy arm

By Richard Waters in London

ARTHUR ANDERSEN, the international accountancy and management consultancy group, said yesterday that it has decided not to hive off its management consulting business, the world's largest operation of its type with fee income last year of more than $1bn.

The widely-awaited decision of the 18-man board, seen by other senior accountants as an important indicator of their own future relationship with their consulting arms, was announced several weeks earlier than expected, reflecting Andersen's desire to end uncertainty in the firm. Andersen partners will vote on the recommendation at the start of January.

Andersen considered hiving off the business after unrest in its consulting division which led earlier this year to the departure of the head of the firm's US consultancy operations and a number of his senior colleagues.

Dissatisfaction among consultants over the extent of their control over their part of the business and the way profits are shared internally has been blamed for the departures, which led to a high-level study of the firm's future this autumn.

But while rejecting a full spit, Andersen said yesterday that it plans to restructure its business to meet the concerns of the consultants. The consultancy business will be run as a separate unit from the accounting and tax business, with each reporting to a worldwide managing partner. These two will report to the current chief executive, Mr Duane Kullberg.

The firm is also proposing to give consultants a greater share of the profits from their own business, though there will still be cost-sharing between the two parts of the firm, it said. The consultants and accountants will continue to share facilities.

According to Mr Don Hanson, managing partner of Arthur Andersen in the UK, this will leave most consultants better off, since their business in most parts of the world is currently more profitable than the accounting activities.

However, no changes have been made to the ownership structure of the group. Andersen continues to be owned by all its partners, both accountants and consultants, through a Geneva-based entity set up a decade ago.

Andersen also yesterday announced that it is to pass control from its headquarters, based in Chicago, to three new regions: Europe, Asia and the US.

Manville to start paying claimants

By Anatole Kaletsky in New York

MANVILLE, the Denver-based building products group which was at one time the world's biggest producer of asbestos, yesterday emerged from protection under Chapter 11 and became the first company in history to be run on behalf of and largely owned by the victims of its own products.

Manville filed for bankruptcy in August, 1982, to protect itself from a barrage of lawsuits by former employees and building workers dying and suffering from asbestos-related lung diseases. Yesterday its $3bn reorganisation plan, which was declared final by the US bankruptcy court a month ago, became effective and the company said that payments to creditors and claimants would begin immediately.

The company's emergence from bankruptcy will result in the payment of at least $2.5bn over 26 years to about 200,000 asbestos injury claimants, as well as the full repayment of principal, but not interest, to Manville's unsecured creditors. From today, Manville's old common stock will stop trading, to be replaced by newly-issued shares. The share exchange will reduce the equity stake of erstwhile shareholders to less than 12 per cent, and possibly as little as 2 per cent, depending on the company's future performance.

The rest of the company will be owned in part by creditors, but mostly by the claimants in the 40,000 personal injury lawsuits already filed against the company and the tens of thousands more who are expected to apply for compensation when they detect the symptoms of asbestosis, the frequently fatal lung disease which can take up to 20 years to show itself.

The company said that it expected eventually to pay for about 200,000 cases of asbestosis and other asbestos-related diseases out of the trust fund which formally began operating yesterday.

INTERNATIONAL COMPANIES AND FINANCE

Harris may invest in EC chip plant

By Terry Dodsworth, Industrial Editor

HARRIS, the US semiconductor company, is considering an investment of around $100m in a European chip manufacturing plant as part of an expansion drive aimed at strengthening its position in the planned new integrated European market.

Mr Jack Hartley, Harris's chairman, said in London yesterday that the company had recently held discussions on a possible collaborative venture with Matra of France.

But it was also considering other options, including the expansion of a small assembly and fabrication plant in Ireland and a green field site development.

Harris's plans follow a deal with General Electric of the US earlier this month in which it acquired GE's semiconductor division for $206m. The combination of the two companies in Europe will put them in a much stronger competitive position, Mr Hartley said yesterday, and could justify local manufacturing.

Harris already has a joint venture agreement with Matra dating from the late 1970s. The production plant at Nantes in Western France which resulted from this deal is run by Matra, and has been largely loss-making in recent years. But Mr Hartley said that he saw no reason why a new collaborative arrangement should not be reached with the French company, although the new plant would have a different purpose than the present one.

The possibility of expansion in Ireland derives from the takeover of the GE semiconductor division, which owns the facility.

A decision on the proposed European invesment, Mr Hartley added, depended partly on the company's assessment of the impact of the the European Commission's 1992 plans. In future it might be advisable to have manufacturing facilities in the EC in order to win contracts and dampen protectionist pressures.

Most of Harris's large US competitors have production facilities in the EC, and some of the big Japanese semiconductor suppliers are also beginning to step up manufacturing investment in the region.

Harris itself now numbers among the top world semiconductor producers, with the GE acquisition giving it revenues of $850m a year, where it stands at number six in the league table of US chip producers. It also claims to be the premier supplier of semiconductors to the US defence industry, with sales of $280m a year.

GE and Robert Bosch in US car electrics venture

By Karen Zagor in New York

GENERAL ELECTRIC, the US industrial, financial and broadcasting conglomerate, and Robert Bosch,the West Germany car electronics group, are preparing to set up a joint venture in the US to produce small electrical motors for the automobile industry.

Bosch and GE will each hold 50 per cent in the venture, which will be based at an existing GE facility in Hendersonville, Tennessee.

GE produces more than 30m electric motors a year, but the venture will mark its first move into the automobile market. The group expects to produce its first motor for this market in mid-1989.

"By combining the automotive experience and technology of Bosch with the North American motor manufacturing capability and marketing strength of GE, we expect to earn a leading position in the automotive industry," said Mr David Genever Watling, head of GE's motor business.

He added: "We feel this combination will enable us to become a valued supplier to the more-than-$1billion North American market."

Bosch produces some 200,000 automotive motors a dayworldwide, and the company's turnover for automotive motors in the US last year was DM35m ($20.4m).

European flotation by Altos Computer

By Terry Dodsworth

ALTOS Computer Systems, the US minicomputer manufacturer, is planning to float off part of its European operations to local investment groups in a programme aimed at increasing the autonomy of its operations in the region.

The plan will also involve the development of European engineering and design activities, and is likely to lead to local assembly and manufacturing.

"We shall make a decision within the next week or two on whether to acquire an engineering company here or develop one using our own resources," says Mr Archie Thomas, the newly-appointed European managing director.

Altos was founded in California 15 years ago by Mr David Jackson, a Yorkshireman who joined the brain drain because he found it easier to establish a computer company in the US. Its sales reached $176m last year, on which it made net profits of $22m, and it has about $70m in cash and liquid assets.

According to Mr Thomas, Altos has begun talks with London merchant banks to examine two main options for raising funds in Europe – the sale of shares, most probably to large institutional investors, in either a newly formed pan-European entity, or in individual national companies.

Both plans involve a large stake of 50 per cent or more being retained by the parent group in America, which is quoted on the New York Stock Exchange.

Mr Thomas says that the scheme has been partly prompted by Europe's plans for an integrated market in 1992.

Altos already produces about half of its turnover in Western Europe, and sees the 1992 plans as an opportunity to allow its European management more independence to pursue growth prospects.

Once the new structure is set up, the European operations are planning to negotiate technology exchange agreements with the US headquarters to retain access to Altos' products.

California car insurance groups in a spin

Leo Herzel and Daniel Harris on the implications of Proposition 103

If the high propensity for litigation in America is controversial, the situation in California, by comparison, is out of control.

Mammoth jury verdicts have become routine and each year Californians pay $30bn in property and casualty insurance premiums. In Los Angeles a favourable car insurance rate for a two-car couple with good driving records is about $2,500 per year.

In the US, the regulation of insurance companies is mainly in the hands of the states. Until now, California insurance regulation has been relatively easy-going. On November 8, 1988, California voters sharply changed this by a referendum vote approving Proposition 103.

Among other things, Proposition 103 requires an immediate reduction in property and casualty insurance rates – including auto rates – to 20 per cent below the levels in effect on November 8. This means a 30 per cent drop in auto rates from present levels.

Rates are then frozen for one year, unless an insurance company can show it is substantially threatened with insolvency. Thereafter, every insurer is required to offer motorists with good driving records an additional 20 per cent rate reduction, and about 80 per cent of California's drivers qualify for this discount.

In the future, rate increases will require a public hearing and the approval of an insurance commissioner who will now be elected, instead of appointed. Proposition 103 also eliminates the insurance industry's exemption from the California anti – trust laws. Federal anti – trust laws are usually not applicable to the insurance industry.

If upheld in the courts, Proposition 103 could mean an annual $4bn to $6bn windfall for Californians and a corresponding loss for insurers. The insurance industry spent $60m in a vain attempt to defeat the ballot proposal, and many companies said they would leave the state if the measure was passed.

Mr Harvey Rosenfield, a disciple of Ralph Nader and chairman of the consumer advocacy group that promoted Proposition 103, dismissed these warnings as "standard terrorist tactics." Nonetheless, Proposition 103 attempts to nail shut the exit doors by making it a crime for an insurance company to cancel or fail ro renew an auto insurance policy, except for non – payment of premiums.

Immediately after the votes were counted, several insurance companies filed emergency petitions in the California Supreme Court challenging the law.

They claimed, among other things, that the measure took their property without due process and without just compensation and impaired the obligation of existing contracts in violation of the California and US constitutions.

The California Supreme Court is legally required to enforce both the US and the California constitutions. On November 10,1988, the court issued an injunction staying the effective date of Proposition 103 until these legal challenges are cleared up.

On strictly legal grounds, the insurers appear to have some good arguments. While California probably can roll back insurance rates on new policies, it cannot constitutionally force companies to do business in the state if the new rates are unreasonably low. That would constitute a taking of property without due process or just compensation.

Ralph Nader: champion of US consumer rights

It is also unlikely that California can roll back rates on existing policies without violating the clauses in the California and US constitutions prohibiting laws that impair contractual obligations.

Since they are subject to removal by the voters, the Justices of the California Supreme Court are not in an enviable position.

The US Supreme Court is a possible backstop with regard to the arguments under the US Constitution, although that court now tends to be quite deferential to state regulation of business. The liberal Justices like regulation and the conservatives do not think the federal courts should interfere greatly with state's rights.

A compromise decision is a likely outcome of the California Supreme Court litigation. For example, no interference with the rate cuts for new policies; but no requirement that insurers write these new policies, at least not for those insurers who can show that they will lose money and who stop doing business in California.

Proposition 103 already permits insurers to stop writing policies in the business insurance market. The big question then would be whether the insurance companies would actually leave that huge market. Certainly, that is what they have been threatening.

California voters evidently did not believe the industry's warnings, or maybe they were just so fed up with high insurance rates they did not care. It is also possible that Californians expected other insurers to fill any vacuum.

It is very important to understand that the mandated rate cuts apply only to companies that are now writing property and casualty insurance in California. So, other insurers could enter the California market and be free of these cuts.

If insurers do stay in the California market, the theme of Proposition 103 could become tempting for legislators and insurance regulators in other states. Ralph Nader, who has championed consumer rights in the US, is already saying: "We're getting calls from other states and other groups interested in doing the same thing."

If insurers flee California and there are no significant new entrants, the state would face a crisis. California requires motorists to carry car insurance, and public transport in California is limited. In addition corporations in California need casualty insurance to do business in California's hazardous legal environment.

California would then either have to back off from Proposition 103 or reform its litigation system. However, it is not clear how these litigation reforms could be accomplished. Neither the legislature nor the voters have shown any enthusiasm for the project. The same ballot that contained Proposition 103 also contained a proposal that would have limited plaintiff's lawyer's contingent fees, but the voters rejected it.

Two recent examples illustrate the dimensions of the litigation problem:

- In September 1988 a San Diego jury found Dallas – based Southmark liable to a California couple for $45.9m in compensatory damages as well as $85m in punitive damages. More than $43m of the compensatory damages were for the couple's emotional distress. Southmark had purchased the couple's resort business for $2m plus a share of future profits. There were no future profits, allegedly due to Southmark's misconduct.
- In March a jury ordered the Automobile Club of Southern California to pay $3.3m in damages for failure to pay a $25,000 insurance claim.

Large damage awards and contingent fees for plaintiffs' lawyers serve a very useful social purpose by deterring misconduct. But part of the price is high insurance premiums. If Californians do not want to pay that price, and cannot force someone else to pay it for them, they may have to set limits on litigation.

The authors are partners in the Chicago law firm of Mayer, Brown & Platt.

Esselte shows 44% gain

ESSELTE, the Swedish office automation and supplies group, has reported a 44 per cent improvement in nine-month profits (before financial items) to SKr729m ($121.5m) from SKr506m over the same period of 1987, writes Robert Taylor in Stockholm.

Sales grew by 11 per cent over the period, from SKr8.97bn to SKr9.97bn.

Mr Sven Wallgren, chief executive, said all Esselte's activities were going well at the moment. "The group continues its rapid expansion and is showing, especially in Sweden, excellent results," he said.

Esselte added that recent structural changes in the company, particularly the purchase of its office supply rival Enström in September, made it necessary to make revise its 1988 profit forecast downwards.

Canadian share dealer seeks partner

RICHARDSON Greenshields, the only major Canadian investment house to remain independent, is to seek a link with a large international financial institution, writes Robert Gibbens in Montreal.

The Richardson board, say industry sources, will appoint Morgan Stanley & Co of New York as its adviser for the link.

Richardson, which vies with Midland Doherty as Canada's largest retail distributor of shares, operates an underwriting and institutional business and has a strong mergers and acquisitions arm.

The firm, which is controlled by the Richardson family of Winnipeg, is also a major commodities dealer,

All major Canadian investment firms, with financial industry deregulation, are now associated with or directly owned by the big domestic banks or large domestic and foreign institutions.

But Richardson, which has suffered along with the rest of the industry from the October 1987 crash, held out.

The industry expects Richardson to seek a link with a large institution, possibly outside the securities industry, in a deal which could result in a transfer of control.

INTERNATIONAL COMPANIES AND FINANCE

Sun Hung Kai in buyout move

By John Elliott in Hong Kong

SUN HUNG KAI Properties of Hong Kong, controlled by Mr Kwok Tak-Seng, yesterday announced that it had started talks to buy the 48 per cent of New Town Properties which it does not already own.

SHK Properties is the colony's largest property development company with over 26m sq ft of land, while New Town has 13.4m sq ft. Share trading in both companies was suspended yesterday morning. New Town closed on Friday at HK$5.85 and Sun Hung Kai at HK$11.80.

A joint statement said discussions were taking place which might lead to SHK buying all shares and warrants of New Town which it and its subsidiaries did not own.

It is the third "privatisation" plan, as such minority buyouts are known in Hong Kong, to be announced recently. Last month Bond Corporation of Australia said it was offering to buy the 33.8 per cent of Hong Kong-quoted Bond Corporation International which it does not own.

At the beginning of this month, Cheung Kong Holdings, flagship of entrepreneur Mr Li Kashing's business empire, announced an offer to buy the remainder of Green Island Cement, in which it already owns 44.6 per cent.

Brokers say the moves show that businessmen believe Hong Kong's relatively depressed stock market is underpriced and that they are taking advantage of that to acquire full control of their own companies at low prices.

Wardley, part of the Hongkong and Shanghai Banking Corporation, is advising on the SHK-New Town scheme.

● Paul Y Holdings, the Hong Kong-listed company controlled by the Lau brothers, intends to raise HK$443m (US$56.8m) after expenses through a rights issue, only weeks after having a similar fund-raising exercise blocked by the Stock Exchange, writes Michael Murray.

Late last month, the exchange cited insufficient information over the use of the proceeds as the reason for vetoing a planned HK$297m rights issue by Paul Y. However, it has now given approval for a new rights issue.

The two-for-one rights issue of 428m new shares is pitched at HK$1.05. Paul Y shares closed at HK$2.45 on Thursday before being suspended yesterday.

The cash raised will be used to finance the acquisition of office, retail and residential properties in Hong Kong.

China Entertainment, which owns around 40 per cent of Paul Y and recently fended off a hostile takeover bid for the company from Hysan Development, will take up HK$180m worth of the new shares. The balance will be underwritten by Standard Chartered Asia.

TRADING of Hong Kong Telecommunications shares on the Hong Kong stock market is to be suspended from this morning, pending an announcement expected on Thursday of the price at which between 712.5m and 787.5m of its shares are to be placed on the market, writes John Elliott.

Brokers were forecasting last night that the issue, announced earlier this month, would be priced at around HK$4.65 a share, compared with predictions last week of HK$4.70 to HK$4.90. The shares closed last night at HK$4.95, down from HK$5.10.

Plan to split Delhi Cloth Mills into three

By K.K. Sharma in New Delhi

PLANS TO split Delhi Cloth Mills (DCM), an Indian textiles, chemicals and engineering industrial group with annual turnover of Rs6.42bn ($433m), into three separate companies headed by three cousins have been ratified by the group's board.

A company statement said the three companies would be listed separately on stock exchanges and existing shareholders of the three would be the new shareholders of the three new companies.

Restructuring the DCM empire could take up to a year to complete but will go ahead now that the public financial institutions, which own more than 40 per cent of the stock, have agreed to the split.

Plans are to form a holding company under which the three new companies will function as subsidiaries.

There will be efforts to make loss-making activities viable and shareholders will then be given the option to take stock of any of the three companies.

The company statement said that Mr Bansi Dhar, the present DCM chairman and managing director, would head one group which would take over Shriram Rayons, Hindon River Mills, Swatantra Bharat Mills and Daurala Sugar Works.

His cousin, Mr Vinay Bharat Ram, would control DCM, the textile mill in Delhi from which the group derives its name, engineering products, data products and the Shriman Fibres Group.

Another cousin, Mr Siddharth Shriram, would control Shriman Foods and Fertiliser and Mawana Sugar Works.

The split has come after a prolonged 15-year family feud, which financial institutions said had led to losses at DCM, which has skipped dividends for two years. The restructuring plan, devised by Mr Dhar, aims at restoring the financial viability of all the units owned by DCM.

DCM owns more than 640 acres of prime land in the old city of Delhi which the company wants to redevelop as residential and commercial property after closing the 100-year-old textile mill, which is making heavy losses.

The closure of the mill was announced unilaterally by the management about three weeks ago, after the Delhi administration refused permission for the move, but mill workers have obtained an injunction against this.

The matter is before the courts but DCM officials are confident that the injuction will be vacated and the redevelopment plans will go ahead. The redevelopment is to be carried out using two Delhi builders, Kailash Nath and Ansals.

Pioneer profits up by 50% to Y36bn

By Stefan Wagstyl in Tokyo

PIONEER ELECTRONIC, a leading Japanese audio equipment group, increased annual pre-tax profits by 50 per cent to Y36.1bn ($298.2m).

The rise was due to strong sales of audio and visual equipment, including compact discs.

Reporting consolidated results for the year to the end of September, Pioneer said sales were 10.5 per cent higher at Y404bn, led by a 17 per cent increase in domestic sales.

Overseas sales were 5 per cent up. Net profit was 62 per cent higher at Y18bn.

Competitive pressure forced the company to drop prices on its small audio sets, but sales of higher-added value compact discs, video discs and other audio-visual equipment more than made up for the shortfall.

The parent company's pre-tax return jumped 54 per cent to Y20.8bn on sales of Y288.8bn, up 8.5 per cent. The dividend was raised by Y2 to Y20.

Since Pioneer is changing its year-end to March 31, the new term will be an irregular one of six months. Pioneer is forecasting pre-tax profits of Y10.5bn on sales of Y150bn, for the parent company.

Kawai Music hits discordant note with Y85m loss

By Stefan Wagstyl in Tokyo

KAWAI Musical Instruments, Japan's second largest musical instrument company, yesterday hit a discordant note by announcing its first loss in 17 years – caused by the impact of the strong yen.

The parent company lost Y85m ($702,200) in the six months to the end of September, following exchange losses of Y500m.

In the same period last year it made a Y312m pre-tax profit.

Kawai's sales of pianos, electronic pianos and other instruments fell 2.9 per cent to Y15.6bn, in spite of a modest increase in the number of items sold because the proportion of cheaper products increased.

Exports of musical instruments fell 9.3 per cent to Y3.7bn due to strong competition from other makers, including the industry leader Yamaha.

Overall sales, which include sales of electronic components, rose 5.1 per cent to Y44.1bn.

Kawai said the costs of new growing businesses outside musical instruments held back profits.

For the year to March 1989, Kawai forecasts profits of Y250m pre-tax, 66 per cent down on last year.

Turnover is expected to rise 7 per cent. Kawai will maintain a dividend at Y5 by drawing on reserves.

Singapore Press squeezes profits up to S$139m

SINGAPORE PRESS Holdings (SPH), the printing and publishing group that has a monopoly on newspapers in the island republic, edged up group pre-tax profit by 2.4 per cent to S$139m (US$71.6m) in the year to August, AP-DJ reports from Singapore.

Turnover climbed 15.9 per cent to S$916.9m. Trading profit was up 15.9 per cent to S$128.6m. SPH said, however, that investment income dropped 61.5 per cent to S$9.2m. Attributable earnings, at S$88.9m were down 2.5 per cent.

SPH said the planned break-up, whereby its non-newspaper holdings will be floated, was approved by shareholders. The new company, Times Publishing, should be listed by February.

Directors said that earnings prospects in the current year are slightly ahead of those for the year-earlier period, but cautioned that newspaper activities may not be as robust in 1989.

Results are expected to remain satisfactory, although margins are expected to come under pressure.

The board also noted that prospects for non-newspaper activities are encouraging and should be reflected in better results. The dividend is unchanged at 25 cents.

● Singapore Land, a leading property company, showed group net profit down 91.3 per cent to just S$1.5m in its year to August from S$17.2m, Reuter writes.

Turnover was S$54.6m against S$58.3m. The company expects a modest improvement in net profit in 1989.

Kyocera sees profit boost

By Stefan Wagstyl

KYOCERA, the world's largest maker of ceramic packages for microchips, yesterday announced a 30 per cent increase in consolidated pre-tax profits to Y31bn ($256m) because of strong demand in the electronics industry.

Group sales were 17.5 per cent higher at Y170bn. Kyocera produces electronic and optical equipment, including cameras, as well as semiconductor parts. Net profits were 39 per cent up at Y14bn, or Y87.2 a share.

Kyocera also expects its performance to be strong in the second half. It forecasts pre-tax profits for the year to March of Y60bn, or 20 per cent up, and sales of Y360bn, also 20 per cent higher than last year.

Normandy offer values Poseidon at about A$296m

NORMANDY RESOURCES, an Australian mining company, is planning a cash and paper offer for the 80.2 per cent of the Poseidon gold mining group it does not already hold, Reuter reports from Adelaide.

The proposed bid values Poseidon at about A$296m (US$259m).

Mr Robert Champion de Crespigny, chairman of both companies, said that for every two Poseidon shares Normandy will offer A$2.25 cash, plus a 4.5 per cent redeemable exchangeable preference share with a nominal value of A$2.75. That compares with a market price of A$1.82.

He said the offer has no minimum acceptance conditions and that Normandy proposes to retain Poseidon's listing.

"Normandy has participated in the development of the company over the last 18 months and would now like to increase its equity," he said.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 28, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	12.2900	6.6902	3.8617	5.4743
Grenada	(E Carr $)	4.9640	2.7022	1.5597	2.2111
Guadaloupe	(Local Fr)	10.8750	5.9199	3.4171	4.8440
Guam	(US $)	1.8370	1	0.5772	0.8182
Guatemala	(Quetzal)	1.8370 5.0300	1 2.7381	0.5772 1.5805	0.8182 2.2405
Guinea	(Fr)	551.55	300.2449	173.3071	245.6792
Guinea-Bissau	(Peso)	1195.025	650.5307	375.4988	532.3051
Guyana	(Guyanese $)	16.515	8.9902	5.1893	7.3563
Haiti	(Gourde)	9.1925	5.0040	2.8884	4.0946
[illegible]					
N'nd Antilles	(A/Guilder)	3.2909	1.7914	1.0340	1.4658
New Zealand	(NZ $)	2.8085	1.5288	0.8824	1.2510
Nicaragua	(Cordoba)	587.46	319.7931	184.5907	261.6748
Niger Rep	(CFA Fr)	543.75	295.9989	170.8562	242.2048
Nigeria	(Naira)	9.7073	5.2843	3.0502	4.3239
Norway	(Nor. Krone)	11.9550	6.5078	3.7564	5.3251
Oman	(Rial Omani)	0.7095	0.3862	0.2229	0.3160
Pakistan	(Pak. Rupee)	34.00	18.5084	10.6834	15.1447
Panama	(Balboa)	1.8370	1	0.5772	0.8182
Papua New Guinea	(Kina)	1.5057	0.8196	0.4731	0.6706
Paraguay	(Guarani)	581.12o 1892.71a	316.3418 1030.3266	182.5985 594.7242	258.8507 843.0779
Peru	(Inti)	60.58o 1141.79a	32.9776 621.5614	19.0353 358.7714	26.9844 508.5924
Philippines	(Peso)	37.70	20.5225	11.8460	16.7928
Pitcairn Is	(£ Sterling) (NZ $)	1.00 2.8085	0.5443 1.5288	0.3142 0.8824	0.4454 1.2510
Poland	(Zloty)	908.36	494.4801	285.4234	404.6146
Portugal	(Escudo)	263.90	143.6581	82.9222	117.5501
Puerto Rico	(US $)	1.8370	1	0.5772	0.8182
Qatar	(Riyal)	6.7065	3.6507	2.1073	2.9873
[illegible]					
Virgin Is-US	(US $)	1.8370	1	0.5772	0.8182
Western Samoa	(Tala)	3.8100	2.0740	1.1971	1.6971
Yemen	(Rial)	18.10	9.8530	5.6873	8.0623
Yemen PDR	(Dinar)	0.6306	0.3432	0.1981	0.2808
Yugoslavia	(Dinar)	8063.13	4389.2923	2533.5836	3591.5946
Zaire Rep	(Zaire)	403.33	219.5590	126.7336	179.6870
Zambia	(Kwacha)	17.25	9.3903	5.4202	7.6837
Zimbabwe	($)	3.4875	1.8984	1.0958	1.5534

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, November 28, 1988. Vietnam Dong devalued by approx. 85.8% (22/11).

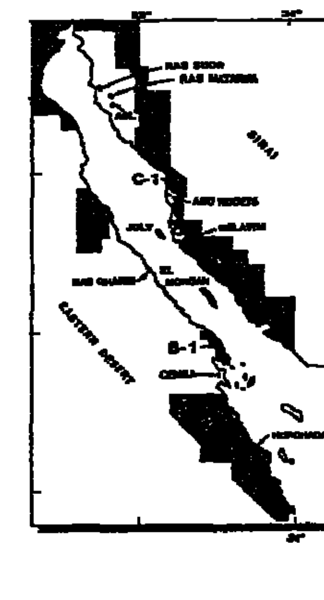
CONTRACTS & TENDERS

BID INVITATION ONSHORE - GULF OF SUEZ - EGYPT

The Egyptian General Petroleum Corporation (E.G.P.C) invite oil companies or bona-fide bidding groups to apply for seven designated sub-groups in the Gulf of Suez, one of the worlds richest oil producing areas.

Application documents, main contract terms, model contract, data package contents and list of references of published articles, can be collected from E.G.P.C., or at costs from EXCOMP Overseas-EGYPT or EXCOMP Ltd. U.K. Studies and data available on a speculative basis are as follows:-

1. A comprehensive Petroleum Geological Evaluation Study based upon a synthesis of the biostratigraphy, lithostratigraphy and petroleum geochemistry of selected wells drilled in the Gulf of Suez basin, conducted by ROBERTSON RESEARCH U.K. For more details contact E.G.P.C.
2. Reprocessing of a total of 454 kilometres of two vintages of seismic data (S.J. & B.A. series) from the onshore Tanka (block C-1) area. A geological and geophysical report is also available. For more details contact TENSOR GEOPHYSICAL Cairo, telex 20823 GLOSS UN.
3. Structural evolution and tectonic modelling of the Gulf of Suez. The study is targeted on the structural evolution and configuration of the Gulf of Suez on the one hand, and tectonic modelling of both the pre-rift and post-rift sequences on the other. For more details contact BEICIP France, telex BEFRAG 203027 F.
4. Base maps including well locations, concession boundaries, general topography and seismic shotpoint locations are available at different scales. Data can also be output to magnetic tape. For more details contact EXCOMP Cairo, telex 21836 IML UN. EXCOMP Ltd. U.K. telex 82392 ROBINS G.
5. Well Velocity Study which includes all available reliable velocity information. For more details contact SSL Cairo, telex 94806 SSLCA UN.
6. Reprocessing of 700 kilometres of seismic data from the Hurghada area (blocks A-1 and A-2), utilising advanced high resolution and DMO processing techniques. Stack and migrated sections will be made available. For more details contact TENSOR GEOPHYSICAL Cairo, telex 20823 GLOSS UN.



BID ROUND 2 - 1988 Closing Date : End FEBRUARY 1989

Enquiries should be addressed to:
Egyptian General Petroleum Corporation (E.G.P.C.)
Attention: Mr. SALAH HAFEZ Vice Chairman for Agreements.
P.O. Box: 2130, New Maadi, Cairo, Egypt.
Telex: 21290 PTMSR UN.
Telephone: 3531451

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
272	185	Ass. Brit. Ind. Ordinary	272	0	10.3	3.8	7.3
272	186	Ass. Brit. Ind. Cals	272	0	10.0	3.7	-
42	25	Armitage and Rhodes	38	-1	-	-	-
57	33	BBB Design group (USM)	33	-2	2.1	6.2	5.3
173	155	Bardon Group	173	0	2.7	1.6	29.6
117	100	Bardon Group Conv. Pref.	117	0	6.7	5.7	-
148	103	Bray Technologies	105	0	5.2	5.0	8.4
114	100	Brembill Conv. Pref	110	0	11.0	10.0	-
286	246	CCL Group Ordinary	285xd	0	12.3	4.3	4.3
170	124	CCL Group 11% Conv.Pref	170	0	14.7	8.6	
154	129	Carbo Plc (SE)	150xd	-2	6.1	4.1	13.0
113	100	Carbo 7.5% Pref (SE)	113	0	10.3	9.1	
353	147	George Blair	353	0	12.0	3.4	7.8
118	60	Isis Group	118	0			15.5
118	87	Jackson Group (SE)	110xd	-2	3.3	3.0	12.2
287	245	Multihouse NV (AmstSE)	270	0	-	-	-
117	40	Robert Jenkins	110	-2	7.5	6.8	4.2
430	124	Scruttons	408	0	8.0	2.0	37.1
280	194	Torday & Carlisle	278	0	7.7	2.8	13.5
100	100	Torday & Carlisle Conv Pref	100	0	10.7	10.7	-
96	56	Trevian Holdings (USM)	93xd	-1	2.7	2.9	10.0
113	100	Unitrust Europe Conv Pref	108	0	8.0	7.4	
352	350	Veterinary Drug Co. Plc	352	0	22.0	6.3	9.4
330	203	W.S Yeates	330	+2	16.2	4.9	63.5

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co Limited nor Granville Davies Limited are market makers in these securities

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INTERNATIONAL CAPITAL MARKETS

Opec's production accord rebounds on new issues

By Dominique Jackson

PRICES IN the Eurobond market fell across the board yesterday as crude oil prices rose on the news that the Organisation of Petroleum Exporting Countries finally agreed on production limits.

Subsequent rises in US banks' prime rate were widely anticipated and their effect was further limited due to low trading volumes.

Eurodollar bonds fell back by an average of ⅜ point on the announcement of the Opec accord, hitting two new issues in the sector which had both had a reasonable initial reception. Nevertheless, both were for triple-A rated names and should be satisfactorily placed in time.

The market saw its second callable deal in as many days with a $150m issue for a unit of Banca Nazionale del Lavoro, which is the guarantor. Shearson Lehman was lead manager on the deal, which came at an initial yield margin of 73 basis points over comparable Treasury securities.

The deal follows last Friday's issue for SEB via Bankers Trust. Both carried a 10 per cent coupon, attractively high for paper from such well-regarded borrowers and reportedly achieved by incorporating the value of the call option.

It was this high-coupon level which apparently attracted the bulk of the interest for the deal which came out of Japan. Dealers said that as much as one third of the SEB issue had been placed in Tokyo, where there appears to be some demand for callable paper.

INTERNATIONAL BONDS

Call options have traditionally been unpopular with European investors and although the SEB deal apparently attracted more Continental interest than had been expected, a disappointingly low level was detected for the BNL unit issue. Some dealers said the issue might have been priced a couple of basis points more generously to compensate for the call.

Nomura International led a three-year $200m issue for a unit of Toyota which is backed by a keepwell agreement from the parent company. The spread at launch over comparable Treasury issues was 42 basis points, deemed tight but right by dealers.

The issue was awarded a triple-A rating yesterday from Standard & Poor's, which noted that the conservative capital structure and substantial liquid assets of the parent company provided it with considerable financial flexibility.

Toyota is a familiar Eurobond market borrower and the deal saw a high level of demand following its launch, appearing to indicate that investors feel Japanese companies remain relatively free from event risk.

Although it was trading at a bid level of less 1.30 earlier on, the drop in the secondary market pushed this down to a discount of 1½, compared with fees of 1⅜.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Finance◆	200	9½	101	1991	1⅜/⅞	Nomura Int.
Lavoro Bank Overseas◆	150	10	101¾	1996	1⅞/1¼	Shearson L'man Hutton
CANADIAN DOLLARS						
Deutsche Bank Berlin◆	50	9½	100	1993	1⅞/1¼	Deutsche Bk Cap.Mkts
YEN						
Sallie Mae◆	20bn	4⅞	101¾	1993	1⅞/1¼	IBJ Int.
State Bk of NSW(b)◆	15bn	8	101⅞	1994	1⅞/1¼	Daiwa Europe
D-MARKS						
ECSC★★◆	242.5	5⅛	100⅞	1992	n/a	Bayerische Vereinsbank
SWISS FRANCS						
Final terms fixed on:						
Seiren Co.(a)§★★◆	60	½	100	1993	n/a	Bank Leu

★★Private placement. §Convertible. ◆Final terms. a) Put option fixed: 31/3/91 at 107⅝ to yield 3.753%. b) Bull/bear issue - launched in two equal tranches of Y7½bn each tranche. Redemption linked to Japanese Government Bond futures.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93½	93¾	0	−0⅛	9.93
Amer. Brands 8⅞ 92	150	†94¾	95¼	0	−0¼	10.56
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅛	102⅜	−0¼	−0½	4.75
Belgium 4⅝ 94	45	98½	98¾	−0¼	−0⅝	4.91
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Aefima 5 03	100	†101½	101¾	−0⅛	+0¼	4.84
B.F.C.E. 4½ 98	200	†98¾	99	−0⅛	+0⅛	4.64
B.M.W.Fin.Neth. 5 13	150	†96½	96¾	0	+0⅛	5.25
Britannia B/S. 4¾ 94	100	†97¼	97¾	−0⅛	−0⅛	4.77
CIR. Int. W/W 3 93	125	†99¾	100	+0⅛	+0⅜	3.03
Credit Lyonnais 4¾ 00	100	†97¾	98½	0	+0¼	4.96
E.I.B 4⅝ 98	150	†99¼	99¾	+0⅝	+0⅛	4.69
Fletcher Chall. 4⅞ 98	150	†96½	97	0	0	5.32
Kobe City 4⅝ 98	150	†98½	98¾	−0¼	−0¼	4.80
Leeds Perm. B/S. 4⅛ 93	200	†97½	98	−0¼	−0⅞	4.70
Malaysia 5¼ 98	100	†98¾	99	0	+0¼	5.40
Maxwell Comm.Crp. 5 95	150	†100¾	101	+0⅛	0	4.83
Nationwide Ang.B/S. 4 93	200	†96¾	97	0	−0⅜	4.77
Nippon Telg.&Tel.4¼ 95	200	†98½	99	−0⅛	−0⅛	4.47
Oesters.Kbk. 5 03	75	†100	100½	−0⅛	−0½	4.97
Rep.National Bk. 4 93	150	†97	97½	0	+0¼	4.32
Thailand 4⅝ 95	200	†96	96½	−0⅛	−0⅛	5.31
World Bank 5 03	150	†101¼	101½	−0¼	0	4.86

Average price change... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
[illegible]						
Ranks Hovis 4¾ 03 £	†1/88	3.5	109	110	−1	6.46
Redland 7¼ 02 £	†1/87	5.4	90	91	−1¼	16.91
Saatchi&Saatchi 6¼ 03 £	†10/89	4.41	98	99	−0½	28.52
Texas Inst. 2¾ 02 US	†9/87	82.87	70¾	71¾	−⅝	66.90
W.R. Grace 6¾ 02 US	9/87	42.12	80¾	81¾	0	36.20

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

Saturne lights way for securities settlement

George Graham on French attempts to speed up payment after a transaction

France's financial markets are moving, step by step, towards a more reliable settlement system, where delivery of securities sold coincides with payment.

For equities and bonds, the stock exchange is now busily trying to wipe out the backlog of unsettled bargains in order to introduce, from the end of next year, a system of delivery against payment on the fifth day after each transaction.

The front-runner, however, is the Treasury bill market, where the new electronic delivery against payment system has been functioning successfully since September.

The system, dubbed "Saturne," for Système Automatisé de Traitement Unifié des Règlements de Créances Negoçiables, handles all transactions in the FFr450bn ($76.8bn) Treasury bill market, ensuring the simultaneous exchange of bills and cash between the buyer's and seller's accounts at the Bank of France.

Each party's account is checked automatically by the system, and the cash can be transferred to the seller only when the securities are ready to be passed to the buyer.

Turnover in the Treasury bill market averages about FFr10bn a day, but on particularly heavy days, such as the monthly settlement day following the auction of five-year BTAN bills, volume often rises to between FFr40bn and FFr50bn.

On the last of these monthly settlement days, only four out of 2,300 transactions remained unsettled at the end of the day, compared with an average of about 20 for auctions before the introduction of the Saturne system.

Saturne is designed to handle all kinds of transactions on the Treasury bill market, ranging from straightforward purchases to repurchase agreements and stock loan arrangements. It is also designed to be extended to other types of money market instruments.

The FFr36bn of outstanding Bifs, or bills issued by such specialised financial institutions as the Crédit National or the Crédit Foncier, are due to be added to the system at the beginning of 1989.

Mr Claude Vigier, director of securities services at the Bank of France, says: "Saturne should eventually be extended to commercial paper and certificates of deposit." However, a number of measures will need to be taken before these markets, with FFr70bn and FFr290bn outstanding respectively, can move on to the central bank's electronic clearing systems.

About 400 financial institutions already have securities accounts at the Bank of France, but foreign institutions can have access to the Saturne clearing system either through a French intermediary, or through the Cedel or Euroclear private clearing houses. Both of these have securities and cash accounts at the French central bank.

Cedel and Euroclear already operate on the principle of delivery against payment, as does the Bank of England for the gilts market in London. The Bank of England has also just taken over from the UK clearing banks a project for a clearing system for money market instruments.

The Bank of France supplies the software for connection to its system free, but has taken advantage of the introduction of Saturne to modify its charges for handling Treasury bill accounts.

The previous charge of 0.001 per cent of the average value of bills held in the account will be halved from January 1, but a flat-rate charge will be levied on each transaction. This will be FFr5 if the deal is input directly into the Bank of France computer, and FFr7 if it is sent by telex or on paper.

"The service is more or less at cost price, and I think you will find that it is highly competitive with the rates charged by private clearing houses," says Mr Vigier.

Stoltenberg outlines financial reform plans

By Andrew Fisher in Frankfurt

MR GERHARD Stoltenberg, the West German Finance Minister, yesterday outlined planned changes to the country's stock market legislation aimed at strengthening its capital markets and permitting the establishment of a financial futures and options market.

Noting that Germany's bourses were at a disadvantage against foreign markets because of the lack of a well-developed futures and options business, he said the legal changes would strengthen the country's position as a financial centre. They will also make it easier for foreign shares to be quoted in Germany.

Mr Stoltenberg said the draft changes drawn up by the Finance Ministry would probably be presented to the lower house of Parliament (the Bundestag) at the end of January.

The new financial futures and options exchange, the Deutsche Terminbörse (DTB), is scheduled to open late in 1989.

For the DTB to be able to function, outmoded German legislation, which regards futures and options as a form of gambling, has to be changed. Instead of investors being able legally to wriggle out of deals if these go against them, the proposed new law will require them to confirm in writing their awareness of the risks.

Yesterday's statement by Mr Stoltenberg reaffirms the Government's commitment to taking the legal steps necessary for the DTB to open.

In the past, however, some government actions, notably the refusal to abolish the stock exchange turnover tax and the planned imposition of a withholding tax on most savings and investments, have angered the Frankfurt financial community.

The changes designed to encourage the listing of more foreign shares will permit them to be quoted not only in foreign currencies, but also in Ecus or special drawing rights. They will also allow for EC guidelines on mutual recognition of listing prospectuses to be incorporated into German law. In addition, supervision of Germany's eight bourses will be stepped up.

OM to curb interest rate option trade

By Robert Taylor in Stockholm

THE STOCKHOLM options market (OM) is to stop all trading in standardised interest rate options and futures which fall due in 1989. The move, which took effect yesterday, has been prompted by the adverse impact of the Government's new turnover tax.

The tax, which comes into force on January 1, involves a 4 per cent tax rate on the premium for share options, 2 per cent for the premium for interest rate options and a 1 per cent tax on stockbrokers trading on their own account.

Mr Mikael Stenbom, market head of OM, says there was no other choice. "It is impossible to uphold a sound market without market makers," he said. "It would be risky for ourselves and our customers to have these contracts available.

"There is no longer any market for interest rate options. They have become economically an impossibility."

The volume of daily trading in OM's stock-index forward contracts normally runs at more than 5,000 contracts, but Mr Stenbom said so far there were only 50 transactions in the January index forward.

Wood Gundy in C$1.3m settlement with brokers

By Norma Cohen

WOOD GUNDY has reached an out-of-court settlement totalling about C$1.3m (US$1.09m) with two Eurobond brokers in a case which goes to the heart of the way underwriters handle their new issues.

The Association of International Bond Dealers (AIBD), the self-regulatory body for the Eurobond market, was prompted to revise some of its rules last year, partly by the adverse publicity stemming from the lawsuit.

The case, which stems from a Eurobond offering made in April 1987, was scheduled to be heard yesterday before the UK High Court, but was settled over the weekend.

Wood Gundy was said to have paid the two bond brokers the difference between the original market price and the so-called buy-in price of the Eurobonds. In addition, Merrill Lynch, underwriter of the bonds involved, is said to have paid a sum to Wood Gundy intended to cover legal fees.

At issue was a C$50m offering by British Columbia Telephone Company of 9½ per cent bonds due 1994, which were perceived to be priced under the market.

Several firms in the sydicate, including Wood Gundy, instead of placing bonds with investors, short sold them back to Merrill Lynch, using the brokers to shield their anonymity.

The short selling pushed bond prices down further and Merrill bought virtually all the short positions in the market.

Then, when Wood Gundy tried to deliver the bonds it had sold short to the brokers, it found that there were no bonds to buy – Merrill owned them all. When a so-called "buy-in" procedure was instituted, Merrill demanded that buyers pay a price of 120 for bonds that had been priced originally around par.

Wood Gundy refused to pay the difference between the buy-in and market prices. It had argued that the price demanded by Merrill was artificial and should not be paid.

German bond prices slip steeply under dual assault

By Stephen Fidler and Norma Cohen in London and Janet Bush in New York

WEST GERMAN government bond prices fell sharply under a combined assault from both an Organisation of Petroleum Exporting Countries' agreement, intended to prop up oil prices, and a weaker West German currency in the face of a rising dollar.

Prices fell by as much as 90 basis points, with yields rising to the levels of early October. Dealers were reported to be clearing out inventories or, in some cases, taking short positions in bonds ahead of today's announcement of terms of a new government bond issue.

Fund managers tend to ease up on purchases late in the year and this coloured sentiment towards a market which must absorb two new issues before the year end.

Suggestions persist that the Federal Government might announce a sale of 12-year bonds, but most expectations call for a sale of DM4bn of 10-year bonds.

With the yield on the previously-auctioned bond – the 6¾ per cent issue maturing in November 1998 – at 6.44 per cent, some dealers said that a 6½ per cent coupon, with above-par pricing, would be needed on the issue.

As the market slipped it ignored what would in other times have been construed as good news – delivered by the Bundesbank through an unprecedented round of four-day repurchase agreements to inject temporary liquidity into the banking system.

These agreements, further evidence of the central bank's intention to manage bank reserve positions more aggressively, will unwind on Friday when a more conventional, longer-term agreement is expected to be announced.

The results of the agreements, thought to total about DM3bn, were not announced. Dealers said successful bids centred on the 4.55 to 4.70 per cent range.

DUTCH government bonds fell in line with the West German market. The temporary withdrawal of the Government from the private placement market, where it has been issuing nine-year serial paper, is thought likely to herald an announcement soon of a new bond tender. The new bonds were expected, dealers said, to carry an eight-year or – preferably from the point of view of debt management – a 10-year maturity.

GOVERNMENT BONDS

US Treasury bonds yesterday held up reasonably well despite a flurry of negative news, including a round of prime rate increases and the Opec accord.

At midsession, bond prices were quoted around ⅛ point lower at the short end of the yield curve and slightly higher at the long end. The Treasury's benchmark 30-year issue was quoted unchanged for a yield of 9.17 per cent.

The prime rate increases by several leading US commercial banks from 10 per cent to 10.5 per cent had not been unexpected, given sharp rises in short-term money market interest rates in the last couple of weeks. Nobody expects an imminent rise in the discount rate, but the prime rate rises served to underline a general belief that US interest rates are headed higher.

To some extent, yesterday's news of an 18.5m barrels a day Opec production ceiling had been discounted, as reports had suggested the cartel was near to an agreement at the end of last week.

However, the prospect of higher crude oil prices adds to concerns about inflationary pressures in the economy.

Fed funds traded at a firm 8⅝ per cent at midsession, adding to interest rate nerves.

UK GOVERNMENT bond prices closed with losses of as much as ¾ points as the effects of last Friday's shocking trade data held sway over investors.

In particular, dealers noted heavy selling in short- to medium-dated issues as dealers switched out of those sectors and into money market instruments, where better yields are now available.

Still, the strength of the currency is helping to spark the interest of some international investors, most specifically the Japanese. Dealers reported some Japanese buying of medium-dated issues

In explaining the demand from that quarter, analysts at Baring Brothers pointed out that the prices of some UK gilts, expressed in yen, were at their lowest levels for some time. For instance, the Exchequer 13¾ per cent stock due 1992 is at its lowest level in yen since early 1983.

But once UK markets opened, traders and investors viewed the improvement in prices as simply an opportunity to sell. Long-term prices showed a more modest decline, aided by the severe shortage of stock and the Bank of England's buying-in programme.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-16	-10/32	11.02	10.36	9.99
		8.750	9/97	91-16	-24/32	10.24	9.84	9.53
		9.000	10/08	98-06	-1/32	9.20	9.08	8.94
US TREASURY		8.875	11/98	98-04	+1/32	9.17	9.07	8.70
		9.000	11/18	98-08	+1/32	9.17	9.15	8.81
JAPAN	No 105	5.000	12/97	101.9853	-0.510	4.69	4.64	4.60
	No 2	5.700	3/07	107.6182	-0.209	4.91	4.90	4.90
GERMANY		6.750	8/98	102.7500	-	6.38	6.41	6.28
FRANCE	BTAN	8.000	10/93	97.8228	-0.095	8.56	8.56	8.37
	OAT	9.500	5/98	104.7250	-	8.73	8.82	8.60
CANADA		10.250	12/98	100.6250	-0.075	10.15	10.09	9.70
NETHERLANDS		6.7500	10/98	102.1500	-0.300	6.52	6.48	6.35
AUSTRALIA		12.500	1/98	99.7942	-1.104	12.52	12.12	11.90

London closing, *denotes New York morning session
Historical yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018
Yields: Local market standard   Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Nov 28 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Nov 25 Index No.	Thu Nov 24 Index No.	Wed Nov 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	780.19	-1.4	11.37	4.36	10.88	24.86	791.59	815.71	819.07	634.72
2 Building Materials (28)	961.29	-2.2	13.06	4.67	9.43	29.21	982.59	1016.25	1016.14	808.41
3 Contracting, Construction (39)	1471.80	-2.7	13.26	4.11	9.83	46.04	1512.82	1569.76	1571.02	1187.50
4 Electricals (11)	2353.98	-0.8	9.13	4.80	13.23	76.55	2372.13	2428.53	2440.04	1848.52
5 Electronics (30)	1717.74	-0.4	10.49	3.67	12.35	43.59	1723.95	1777.01	1798.83	1482.19
6 Mechanical Engineering (55)	410.37	-1.5	11.02	4.44	11.12	13.59	416.68	429.05	431.05	315.38
8 Metals and Metal Forming (7)	482.89	-1.7	10.07	4.06	12.28	13.69	491.38	504.55	506.45	361.57
9 Motors (16)	270.15	-1.5	12.56	4.99	9.20	9.80	274.29	280.81	281.32	223.71
10 Other Industrial Materials (23)	1311.57	-1.2	10.12	4.69	11.67	44.22	1328.17	1363.80	1365.36	1185.00
21 CONSUMER GROUP (187)	1036.03	-0.9	9.80	3.92	12.82	27.98	1045.63	1071.27	1074.08	926.12
22 Brewers and Distillers (21)	1126.47	......	10.61	3.68	11.06	24.10	1126.94	1147.29	1147.18	894.73
25 Food Manufacturing (21)	924.40	-1.0	9.56	4.11	13.22	26.17	933.60	956.73	962.40	740.72
26 Food Retailing (16)	1817.47	-0.5	9.69	3.76	13.62	46.95	1826.40	1879.71	1882.25	1863.50
27 Health and Household (12)	1802.40	-1.2	7.47	2.81	15.35	40.69	1825.07	1859.19	1861.64	1650.64
29 Leisure (31)	1375.00	-0.8	8.66	3.75	14.79	35.06	1386.63	1422.01	1428.98	991.514
31 Packaging & Paper (17)	520.69	-1.4	10.79	4.32	11.53	16.19	528.11	549.97	554.46	436.24
32 Publishing & Printing (19)	3313.25	-0.7	9.07	4.34	13.74	106.59	3337.08	3446.88	3461.15	2939.88
34 Stores (34)	717.13	-1.4	11.05	4.78	11.09	23.22	727.65	746.16	746.49	763.25
35 Textiles (16)	473.43	-2.2	14.62	5.89	8.19	18.17	484.31	497.26	500.86	515.17
40 OTHER GROUPS (92)	885.65	-0.7	11.59	4.66	10.53	24.69	891.96	909.91	911.81	766.85
41 Agencies (19)	1025.03	-1.1	8.50	2.71	14.66	20.98	1036.09	1062.85	1066.61	878.01
42 Chemicals (22)	996.57	-2.3	12.82	5.28	9.37	41.34	1019.70	1037.54	1042.62	931.51
43 Conglomerates (12)	1244.09	+0.3	10.55	4.58	10.85	25.24	1240.99	1268.25	1272.77	1037.84
45 Shipping and Transport (12) – 99 ALL-SHARE INDEX (710); FT-SE 100 SHARE INDEX	[illegible]									

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	104	3
Corporations, Dominion and Foreign Bonds	4	19	28
Industrials	197	834	545
Financial and Properties	118	237	313
Oils	14	48	44
Plantations	0	6	7
Mines	41	56	93
Others	43	126	79
Totals	421	1,430	1,112

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

... summarised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. ‡‡ Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ¶ Unlisted securities market. ¶ Official London listing. Ω Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Nov 21
- Last Dealings Dec 2
- Last Declarations Feb 23
- For settlement Mar 6

For rate indications see end of London Share Service

Calls in Forward Tech, Samson Exp, Aviva Pet, Regentcrest, Eagle Trst, Wellman, Goal Pet, Clyde Pet, Ibstock, Oliver Res, Unigate, Premier Cons, Blacks Leis, Tubular, FKI Babcock, PML, Wimpey, Capital & Reg, Tranwood, FNFC. MBS, Amstrad, Bula Rs, Burndene Inv, Bunzl, Dares Est, B Gas, Addison Cons, Greenwich Rs, VSEL. Pts in Williams (Rex), Land Secs. Put/Calls in London Secs, Tyndall Hldgs.

LONDON TRADED OPTIONS

[illegible]

INTERNATIONAL COMPANIES AND FINANCE

Carnival cruises past P&O and Admiral

Karen Fossli, Kevin Brown and Robert Vincent on deals in the luxury ships sector

It took longer than expected, but Miami-based Carnival Cruise Lines has finally clawed its way to the top of the world cruising league.

Carnival's agreed $625m offer for Seattle-based Holland America Line propels it in one bound past its two major rivals, Peninsular & Oriental Steam Navigation of the UK and Royal Admiral Cruises of Norway.

The deal, announced on Friday, is a further step in a process of rationalisation in the cruise industry as the big players seek to consolidate their share of a fast growing market.

If it goes through, it will give Carnival 14,100 berths, compared with P&O's 9,770 and around 10,000 for Royal Admiral. When ships on order are taken into account, Carnival has a potential 23,700 berths, compared with P&O's potential 14,440.

But the path to the top has been a rocky one for Carnival, which was outflanked twice earlier this year – first by the creation of Royal Admiral through a merger of Royal Caribbean Cruise Line and Admiral Cruises, and then by the takeover of Italian-owned Sitmar Cruises by P&O.

Carnival's initial response was to try to buy Royal Admiral, in a deal which would have given the company an immediate 17,000 berths. It was stopped in its tracks by an extraordinary deal cooked up by a Norwegian shipowner and a secretive family of American billionaires.

The Royal Admiral saga started in August, when Gotaas-Larsen, a Bermuda-based bulk shipping specialist, announced plans to sell its holdings in the two constituent companies (one-third of Royal Caribbean and 51 per cent of Admiral) to Carnival for $260m.

Gotaas-Larsen shared ownership of Royal Admiral with two Norwegian shipping companies, the Anders Wilhelmsen group and I.M. Skaugen, and two minority shareholders, Johnson Line and Finland Steamship Company.

Under the terms of Royal Admiral's articles, the Wilhelmsen group and I.M. Skaugen each held a right of first refusal on the disposal of Gotaas-Larsen's holding. Initially they decided to work together to block Carnival, but Wilhelmsen was left stranded when I.M. Skaugen and the smaller shareholders changed their minds and decided to sell, leaving only Wilhelmsen's 30.72 per cent stake opposed to the deal.

Sovereign of the Seas: pride of the Admiral fleet

Few analysts thought Wilhelmsen strong enough to defeat Carnival, especially since Mr Arne Wilhelmsen, the unassuming president of the group, had only 40 days to raise the necessary $580m to buy out all the other shareholders.

However, Wilhelmsen's corporate strategy depended on giving priority to its cruise interests as it wound down its involvement in the offshore supply and diving vessels sector, and in recent years cruising has accounted for between 50 and 60 per cent of turnover. The group was determined not to be forced out of the business.

In the event, it took Mr Wilhelmsen only 35 days to put together a deal with the Chicago-based Pritzker *family* which will have far reaching consequences for the cruise industry.

Mr Wilhelmsen persuaded the Pritzkers to put up $252m towards the deal, after meeting Mr Jay Pritzker in Oslo and conducting other negotiations through the Paris-based Banque Indosuez. Financing was arranged through Christiania, Norway's largest bank, and Canada's Bank of Nova Scotia.

The Pritzker family has been quaintly described as a quietly wealthy clan. Estimates of the fortune created by two of the *family's members,* brothers Jay and Robert Pritzker, range from what is thought to be a conservative $3.5bn to well over $4bn.

The family is probably best *known through its ownership* of the Hyatt chain of luxury hotels, which it built up from scratch into a global organisation of well over 100 hotels, with sales last year of just over $2.3bn.

But their wealth is by no means derived from this one group; they have amassed their fortune through a *welter of* companies that make goods and provide services.

The Marmon group, which is the second of the family jewels, recorded sales in 1987 of about $3.2bn. It takes in around 60 industrial companies, including one of the largest US manufacturers of railway tankers and a trading company which distributes merchandise throughout the Far East.

Other Pritzker operations include managing sports stadiums and a computerised tickets service for sporting and other events. The mixture is further enhanced by a string *of* minority holdings which is equally diverse.

The family does not always win through, though – earlier this year *it disposed of its* holding in Braniff, the US airline which was an early casualty of deregulation, after failing in an attempt to turn the company round.

Nevertheless, the Pritzkers have a strong track record, and will have been attracted to the Royal Admiral deal for two reasons.

First, growth is thought to be accelerating in the cruise market, which many analysts believe is still immature. Mr Dan White, a shipping analyst with County NatWest, the London broker, says growth has averaged 11 per cent over the *last eight years, and grew by a* further 11 per cent in the first six months of 1988. He says the market has the potential to grow from around 3m passengers a year to as many as 35m before it reaches saturation.

Secondly, Royal Admiral's upmarket ships offer a good fit with the Pritzker's prestigious Hyatt hotels chain – something the family is said to have been seeking for some time.

Shipowners in Oslo say that Mr Jay Pritzker has been looking for years for a cruise company which could complement the Hyatt chain. At one point, it is said, the Pritzkers *nearly* joined forces with Mr Per Kloster, the son of Mr Knut Kloster, the Norwegian shipping magnate and a founder of Kloster Cruises, who had plans to build between two and seven cruise ships in France.

That plan is said to have been abandoned as recently as last December when Hyatt withdrew. It is also said that Mr Pritzker once made contact with Carnival, but decided the company's downmarket ships were an *unsuitable match.*

Mr Arvid Grundekjoen, chief financial officer of the Wilhelmsen group, said the company looked at several different ways of structuring a deal, including a leveraged buy-out, before turning to the Pritzkers.

But the family offered a major advantage to Wilhelmsen: the financing of the deal was structured so that the group avoided having to pledge any assets or shares in its basic business towards the deal.

Mr Grundekjoen forecasts other benefits from the Pritzker link: "When we were three *main* partners in Royal Admiral (Wilhelmsen, Gotaas-Larsen and I.M. Skaugen) there was always a problem at least with one of us to follow up projects," he says.

"For example, we now know that we should have built two or three Sovereign of the Seas (the largest cruise ship in the world). If we could have managed that in the early-1980s there wouldn't have been room for Carnival today – but the problems of at least one of the partners almost always stopped our plans.

"But working with the Pritzkers will be different – they are not solely *dependent* on the cruise or shipping businesses and we saw from the beginning that the chemistry between our two companies was right."

ROYAL ADMIRAL'S FLEET

Ship	Passenger capacity	GRT*
Song of Norway	1,146	23,000
Nordic Prince	1,138	23,200
Sun Viking	846	18,550
Song of America	1,551	37,580
Sovereign of the Seas	2,844	74,000
Emerald Seas	980	24,450
Azure Seas	880	21,480
Stardancer	1380	26,750
Future Seas#	2,080	44,300

* Gross registered tonnes. # For delivery in 1990

Rhone Poulenc profits rise 40%

RHONE POULENC, the French state-controlled chemicals group, has reported a 40 per cent rise in consolidated net profits for the first nine months of this year to FFr2.75bn ($469), compared with FFr1.96bn a year earlier, writes Paul Betts in Paris.

Group sales rose 16.7 per cent to *FFr48.3bn*, compared with FFr41.4bn. Group operating profits increased by 93 per cent to FFr5.26bn.

Mr Jean René Fourton, chairman, said the profit increase reflected the important contribution of the group's recent acquisitions.

French groups in tie-up talks

By Paul Betts in Paris

THE FRENCH nationalised *banking and insurance sector* is now involved in a series of major manoeuvres which could lead to a number of significant associations between large *state banks and nationalised* insurance companies.

These moves could in turn have important repercussions on the controversial battle for control of Société Générale, the leading French privatised commercial banking group.

Banque Nationale de Paris (BNP), France's largest nationalised commercial bank, is understood to be discussing a possible tie-up with Union des Assurances de Paris (UAP), the *country's largest state insurance group.*

At the same time, the Groupe des Assurances Nationales (GAN), another leading state insurance group, is discussing again the possibility of forging closer links with the state-controlled Credit Industriel et Commercial (CIC), the country's fourth largest commercial banking group.

GAN acquired a 34 per cent minority stake in CIC three years ago in what at the time was the most significant link-up between a nationalised insurance company and a *major state-sector bank.*

The French Finance Ministry now appears keen to see GAN reinforce its association with CIC by increasing its stake to give *it* majority control.

Until a few months ago, GAN is understood to have been in active discussions with Assurances Generales de France (AGF), another large state-controlled insurance company, over the possibility of merging the two state groups.

However, the Socialist Government appears to have had *misgivings* about a GAN-AGF merger and has instead encouraged a strengthening in *the relationship between* GAN and CIC.

These moves in the state banking and insurance sector reflect the French Government's twin concerns of preparing the French state insurance sector for the challenges of the 1992 single European market, and helping the nationalised banks to increase *their* capital bases in line with the Cooke Committee prudential ratio requirements aimed at *harmonising* international banking capital adequacy rules.

But the latest manoeuvres *have also become embroiled* with the battle at SocGen, France's largest privatised commercial bank, where the focus is shifting from Mr Georges Pebereau, who launched the original attack, to the important role the country's state and private insurance groups could play in the denouement of the affair.

Mr Pierre Beregovoy, the French Finance Minister, again made it clear in a French newspaper *interview yesterday that* he was *opposed to* the core shareholding structures set up by the former Gaullist Government to control privatised *groups like SocGen.*

Although he said there was no question of the Government substituting Gaullist shareholders with Socialist ones, he nonetheless emphasised that it was anxious to see privatised groups move towards a more "pluralistic" shareholding structure.

The fact that all three major state insurance groups are already SocGen shareholders has fuelled speculation that *the government is now leaning* on these companies to play an active role in the battle.

Carlsberg lifts net earnings for year 23%

By Hilary Barnes in Copenhagen

CARLSBERG, the brewery group, continued last year to expand its sales of beer in markets outside Denmark, which now account for 71 per cent of beer sales, according to the 1987-88 preliminary statement.

Group net sales in the year ended September rose 9 per cent to DKr14.07bn ($2.12bn) from DKr12.96bn, while net profits were up by 23 per cent *to DKr540m from DKr438m.* Pre-tax profits rose 12 per cent to DKr924m from DKr825m.

There was an improvement in profitability at the Carlsberg and Tuborg Danish breweries, arising from modernisation and greater efficiency.

The dividend will increase from DKr122m to DKr146m, reflecting an issue of bonus shares last year, although the dividend remains at 15 per cent.

The group's breweries in the UK, Hong Kong, Malawi and Malaysia reported increased earnings, while the Italian brewery, Industri Poretti, made progress, and the Spanish brewery, Union Cervecera, reduced its loss.

US funding by Ferruzzi

FERRUZZI GROUP, the *Italian* industrial and chemicals concern, has privately placed $100m of so-called auction rate preferred stock in the US, its first such offering in that market, writes Norma Cohen.

Kidder Peabody is underwriter of the transaction.

Auction rate preferred stock is an equity product with the characteristics of a money market instrument. Rates are reset via an auction every 49 days, and Kidder said that, typically, rates are 75 to 80 per cent of *those* paid on commercial paper.

Holders of the stock have no voting rights but receive a 70 per cent tax deduction on dividends. The transaction, done on behalf of Ferruzzi's US affiliate, is backed by a letter of credit from Banque National de Paris.

Ferruzzi said that it sought the placement partly in an effort further to internationalise its investor base. Funds are to be used for general corporate purposes.

Deutsche Babcock sales

DEUTSCHE BABCOCK, the West German engineering company, said yesterday sales rose 6.7 per cent in the year ended September 30 to DM5.2bn ($3.04bn) from DM4.89bn.

It did not give net earnings figures, but had said in August it expected group net to be roughly unchanged at DM45m.

Babcock said order bookings rose 2.8 per cent in fiscal 1988 to DM4.8bn from DM4.64bn. Orders on the books dropped to DM6.7bn on September 30 from DM7.14bn a year earlier. The company is expected to publish group net profit figures later this year.

● Rütgerswerke, the West German chemicals group in which Germany's major coal producer, Ruhrkohle, holds more than a 50 per cent stake, said group sales rose 6 per cent in the first 10 months of 1988 to DM2.48bn from DM2.33bn in the year-earlier period.

The company said its earnings rose at a faster pace than the turnover, but provided no detailed earnings data.

UK COMPANY NEWS

BET beats City estimates with 31% rise to £120m

By Vanessa Houlder

BET, international support services group, yesterday beat analysts' expectations with a 31 per cent rise in pre-tax profits from £92.1m to £120.2m for the six months to October 1. The share price fell 2p to 220p in a weak market.

In the half year, BET continued to focus its efforts on support services to industry through a heavy acquisition and disposal programme. It made 38 acquisitions costing £147m and sold a number of core businesses, notably Rediffusion Simulation, maker of flight simulators and Argus Press, publishing group, which contributed the bulk of an extraordinary surplus of £51.3m.

As a result of the divestments, sales growth was limited to 3 per cent at £1.07bn (£1.03bn). Operating profits increased by 24 per cent; excluding discontinued operations, they increased by 36 per cent. Half of the increase was a result of organic growth.

Mr Nicholas Wills, chief executive, said that better marketing and continued improvements in efficiency helped all divisions. Buoyant conditions in the construction industry were also important, although construction-related businesses accounted for just a fifth of total profits.

The disposals and acquisitions left net borrowings at £180m with a fall in interest charges from £14.4m to £12m. Gearing fell from 50 per cent to 30 per cent, although Mr Wills said that this was likely to rise in the future. Gearing was irrelevant for service companies which made acquisitions with low asset values, he said. More relevant was interest cover which had risen from 9.8 to 11 since the last year end.

After an increase in the tax rate from 29 per cent to 31 per cent and an 11 per cent increase in the number of shares in issue, earnings per share increased by 14 per cent to 11.4p (10p). The interim dividend is increased to 3.5p (3p).

See Lex

Avdel mystery buyer revealed

By Nikki Tait

THE MYSTERY buyer of a 1.38 per cent stake in Avdel, the UK industrial fasteners group which is fighting a £102m bid from US-based Banner Industries, was yesterday revealed to be Mr Jacques Gaston Murray, chairman of Nu-Swift Industries, the Yorkshire fire-extinguisher manufacturer.

The share purchasing, which was conducted by Credit Suisse Buckmaster & Moore, came to public attention when the Takeover Panel, indicated that was not satisfied that the declared purchaser, Easton Holdings, was the "owner or controller" of the shares.

Easton Holdings, which is based in Panama, had been building up its stake recently, making purchases at between 81.5p and 83p – in excess of the 80p cash offer price.

Yesterday, Mr Murray was in Paris, but in a message relayed through his London office said that the matter had been discussed with the Panel and that Mr Murray believed the authorities were satisfied.

Mr Murray added that the shares had been bought in a personal capacity, and that the holding had actually reduced slightly since the last announcement. The formal statement from Credit Suisse Buckmaster & Moore said that Mr Murray had confirmed that he had no connection with either Banner or Avdel.

Mr Murray is, however, known to Mr Jeffrey Steiner, Banner's chief executive, and yesterday, he confirmed playing a part in establishing Mr Murray's interest.

Both Banner and Nu-Swift also employ Henry Ansbacher as merchant bank adviser. However, this was dismissed as coincidence.

Bejam hits out again over Iceland bid

By Philip Coggan

BEJAM, frozen foods retailer, yesterday issued a further circular to shareholders as part of its defence against a £241.5m bid from Iceland Frozen Foods.

In the document, Bejam argues that Iceland's volume growth was achieved on the back of favourable regional factors. Bejam says the frozen food market in the north west, where Iceland is based, has grown at 15 per cent a year; in contrast, London and the south east, where Bejam is based, has grown at only 5.5 per cent a year.

Bejam also argues that, although Iceland's sales per square foot have risen in recent years, its profits per square foot have remained "largely static". Iceland disputes this interpretation. Bejam says its profits per square foot are 82 per cent higher than Iceland's.

Another Bejam argument is that Iceland's offer, of 41 ordinary shares and 60 convertible preference shares for every 100 shares in Bejam, is of "dubious value". The offer currently values each Bejam share at 191.6p, compared with last night's close of 189p. At last week's first closing date, Iceland announced valid acceptances from holders of 5.64 per cent of Bejam's equity. It acquired 0.6 per cent of the equity before the start of the bid.

In addition to the valid acceptances, Iceland still had 0.05 per cent of acceptances which were awaiting the necessary documentation.

Shareholders holding 30 per cent of Bejam's equity, mainly consisting of the Apthorp family, are rejecting the offer.

Realising the value of Lonrho's assets

David Waller on Brent Walker's surprise move into the wines and spirits business

LONRHO and Brent Walker have a lot in common. Both are run by larger-than-life entrepreneurs who from time to time fall out with the City establishment, and both have grown up on the back of opportunistic deals rather than by sticking to some grandiose corporate plan.

When the two do a deal with each other, as they did yesterday when Brent Walker agreed to buy Lonrho's wines and spirits division for a massive £180m, the City has a right to feel perplexed. Why has George Walker suddenly decided to diversify into the drinks business, analysts were asking themselves, and why has he paid so much? And how does the disposal fit into Tiny Rowland's game-plan in the face of a possible bid from Alan Bond?

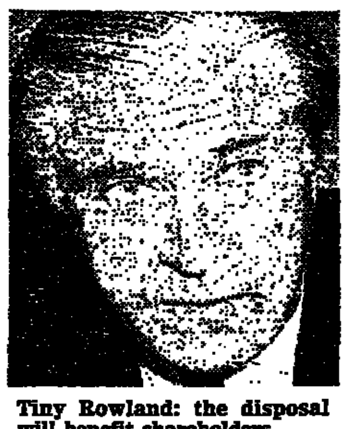
Very little in the way of financial information was forthcoming yesterday. All that emerged was that the collection of businesses that Lonrho is selling made a minuscule pre-tax profit of £2.2m in its last financial year, at the end of which the book value of its assets stood at £45m. For this, Mr Walker is prepared to pay £180m in cash, in three instalments. Mr Rowland seems a lot easier to read than Mr Walker.

Lonrho went into the drinks business almost by accident. The four French chateaux came on board decades ago when Lonrho bought the John Holt group, primarily for its interests in Nigeria. Whyte & Mackay was a subsidiary of Scottish and Universal Investments, acquired in 1979 for its 10 per cent holding in House of Fraser rather than its share of the Scotch whisky market. It is true that in later years, Lonrho has developed the business through a number of shrewd acquisitions – notably the business from Distillers in 1986, which gave the company Haig and Claymore and a 15 per cent share of the UK Scotch market – but a sale, at a decent premium to book value, was never out of the question.

Lonrho said yesterday that the disposal would be beneficial to its shareholders. This seems irrefutable: the interest on the net proceeds (£140m after loan repayments, £130m after tax) will more than compensate for the profits forgone. On some estimates, interest income of £13m would add 6 per cent to pre-tax profits in the next financial year.

A boost to future earnings of that magnitude would be useful at the best of times; with a bid looming, it looks exceedingly helpful. But more important than the impact on profits is the very timing of the disposal. According to Mr Walker, who wanted to complete early next year, Mr Rowland let it be known last week that the deal should be done as soon as possible. In part, this reflects a certain defensiveness in the Lonrho camp, but in some ways, it is an aggressive, offensive move at the same time.

Mr Rowland is flaunting his ability to realise the value of the Lonrho assets – and demonstrating the extent to which the group's assets value is separate from the profitability of the businesses and the values stated in the balance sheet. In the event of the sale to Brent Walker, the drinks businesses proved to be worth even more than he said they would be when he valued the whole of Lonrho at £3.6bn, or 800p a share. Such an estimate appeared wildly high at the time. After yesterday's disposal, it seems more plausible.



Tiny Rowland: the disposal will benefit shareholders

George Walker: has a record of making excellent deals

That this did not spark off yet another speculative rally in Lonrho's shares yesterday (they dropped 10p to 379p) reflects the fact that Mr Rowland has made Lonrho marginally less attractive to Mr Bond, who would no doubt have liked to put his beer interests together with Lonrho's spirits businesses. And there is an outside possibility that Lonrho could now use its boosted cash reserves to make some kind of "poison-pill" acquisition (perhaps of Minorco's 29 per cent stake in Consolidated Gold Fields?).

It all makes perfect sense for Mr Rowland. For Mr Walker, it is a different matter. That the shares only dropped 5.6 per cent to 334p reflects the market's conviction that Mr Walker, a former pugilist, is no philanthropist and has a record of making excellent deals.

Otherwise, the market was somewhat disappointed that Mr Walker had agreed to pay between 45 and 50 times historical earnings for a clutch of less than top-notch brands in an industry of which he has no experience. The more or less complete absence of financial information – there was not even a figure for turnover – did not help. Nor did the lack of any substantial information on the structure of the deal.

Mr Walker has promised that full details will be published by December 9 at the latest. In the meantime, Brent Walker apologists can indulge in all sorts of ingenious arithmetic to prove that the exit multiple is not as ludicrous as it seems at first sight and that the acquisition will not dilute Brent Walker's earnings next year.

Profits of £2.2m grossly understate the true figure, it is argued – one should add back at least £4m for interest saved on the £39m debt to be paid off by Lonrho. And then, from the purchase price one can deduct the proceeds of the sale of the Chateau Rausan Segla to Mr Walker. This could bring the consideration down to £155m – some 36 times historical earnings on the basis of a £6.5m pre-tax profit. These calculations assume that the chateaux broke even last year: it is not reliably known whether they actually made a modest profit, or a substantial loss.

The prospective multiple drops a lot further: to as little as 13 or 14 times earnings, according to one stockbroking house, which believes that the business could make £15m in the year to next September – thus covering the cost of finance at 9 per cent.

In the past, Mr Walker has shown great skill in identifying and exploiting opportunities to which others have been blind: Brighton Marina and the development at Le Touquet in France are obvious examples. But hitherto his acquisitions have always had some sort of property dimension and – although Mr Walker has hinted that he would like to turn one of the chateaux into a hotel – this is not materially the case here. He will indeed be able to sell Whyte & Mackay and the other whiskies in his 400-plus pubs, but is he really equipped to take on the might of drinks giants such as Guinness/Distillers in the fiercely competitive international market?

It is likely that shareholders and institutional investors will suspend judgment on this deal, at least until the acquisition circular is posted next week.

Buoyant order books at Verson

By Richard Tomkins, Midlands Correspondent

VERSON INTERNATIONAL, West Midlands-based metal forming machinery maker, lifted pre-tax profits from £167,000 to £363,000 for the six months to end-July.

Mr Tim Kelleher, the Texan who assembled the group from troubled engineering companies such as Wilkins & Mitchell and Bronx Engineering, said the figure was in line with expectations.

The group continued to export 80 per cent of its turnover, he said. Order books at the end of October stood 50 per cent above the same point last year and showed continuing signs of growth, he added.

Turnover rose from £16.5m to £18.3m and earnings per share from 0.223p to 0.42p. The dividend is raised from 0.11p to 0.175p.

Mr Kelleher said that Verson had won a legal action over Allied Products of the US that allowed Verson to enter the high-speed coil-processing equipment market.

JFB up to £7.7m despite setback at TBJ

By Andrew Hill

JOHNSON & Firth Brown, Sheffield-based metals and engineering company, increased pre-tax profits by 37 per cent to £7.7m in the year to September 30, against £5.62m in 1986-87. The increase was despite a reduction in profits from associated companies.

JFB also announced that Mr Roy Shephard, who has been chief executive since 1983, leading the group out of the doldrums, would leave the company at the end of December.

Volatility and high prices in the copper market hit Thomas Bolton & Johnson, 50 per cent owned by BICC, electrical engineering and construction group, halving associates' profits to £555,000 (£1.38m).

Turnover rose 18 per cent to £99.2m (£83.78m) including about £15m from Woodhouse & Rixson, the metal parts manufacturer bought in October 1987, while earnings per share advanced from 3.4p to 3.8p.

Last month JFB announced a revision of the buy-out deal at Sheffield Forgemasters, jointly owned with British Steel, after a US customer started legal action against Forgemasters. JFB has already received £3.1m in cash, and Mr George Hardie, JFB's finance director, said deferral for up to five years of a further payment of £2m, plus interest, had not affected the company's plans.

The group is recommending a final dividend of 1.4p, making 2p (1.5p) for the year.

● COMMENT

JFB's dividend policy looks generous with a prospective yield of over 8 per cent, assuming a 25 per cent rise in this year's pay-out. The group's tax situation means dividend increases hold back earnings growth but JFB is sufficiently well-placed for this not to worry observers: order books are healthy and there is £4.5m net cash in the bank from the sales of Forgemasters and N. Greening, the loss-making subsidiary. Although JFB still makes about 20 per cent of its sales to the aerospace market, the balance is accounted for by customers from a comfortingly wide range of industries. Mr Shephard is leaving a far stronger company than he joined, for which analysts are forecasting about £9.5m before tax this year. The shares – down ½p yesterday to 41p – seem unlikely to move dramatically, and remain a hold on a prospective p/e of about 8.5.

Johnson & Firth Brown

Share price (pence)

Bowater transport sale

By Clay Harris

BOWATER Industries, the packaging and industrial products group, is putting its West German-based transport business up for sale.

Rhenania Schiffahrts-und Speditions-Gesellschaft, the Mannheim-based company of which Bowater holds 96.2 per cent, is a leading freight-handling, storage and distribution company in West Germany.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Anglo United ......int	0.2	Mar 31	0.2	-	1
BET ......int	3.5†	Feb 2	3	-	10
Bett Brothers ......fin	2.45	Feb 27	2.2	3.85	3.5
Bromsgrove Inds ......int	1†	Jan 3	0.65	-	2.1
Chamberlin/Hill ......int	2.5	-	2	-	6
Circaprint § ......fin	2.4	Jan 27	1.92	2.4	1.92
Cropper (James) ......int	0.875	-	0.675	-	2.125
Hewetson § ......int	1.25†	Mar 31	1	-	3
Johnson/Firth B ......fin	1.4	-	1	2	1.5
Property P'ships......int	2	-	1.75	-	4.75
Sanders/Sidney §......int	2.3	-	2	-	6
Shaw (Arthur) § ......int	1.1	Jan 5	-	-	-
Sheraton Secs ......int	1.5	Jan 16	0.5	-	2.25
Union Square § ......int	0.4†	Jan 9	0.313	-	0.85☆
Verson Int ......int	0.175	-	0.11	-	0.33
Vibroplant ......int	1.02†	Mar 3	0.85	-	2.5
Wiggins Group ......int	3†	Feb 10	2	-	6.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆ For 16 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aberdeen Steak House, Allied Lyons, Caledonia Invs, Chamberlain Phipps, Chloride, Dawson Int, Hambros, Int. Comms. Data, London Securities, Premier Cons Oil, Readicut Int, Robertson, Siebe, Vosper Thornycroft.

Finals- Amber Day, Fairline Boats, Irish Wire Prods, Northern American Trust, TMD Advertising.

FUTURE DATES

Interims-	
Brown & Tawse	Dec. 5
Evans of Leeds	Dec. 7
General Electric	Dec. 6
Hunter Saphir	Dec. 8
Huntingdon International	Dec. 1
MS International	Dec. 6
Microlec	Dec. 14
Ritz Design	Dec. 1
Stoddard Sekers	Dec. 2
Wood (SW)	Dec. 12
Finals-	
Baggeridge Brick	Dec 14
Chrysalis	Dec. 8
Crystalate	Dec. 9
Durban Roodepoort Deep	Dec 12
East Rand Prop	Dec. 12
Grainger Trust	Dec. 7

ISSUE NEWS

Bletchley Motor to gain USM quote

By Fiona Thompson

BLETCHLEY MOTOR Group, motor vehicle distributor, is joining the USM via a placing valuing the company at £6m.

Kleinwort Benson Securities is placing 1m shares, representing 33.6 per cent of the enlarged share capital, at 200p, including 875,000 new shares which will raise £1.4m for the company. Of this, £175,000 will be used to finance the redemption costs of the 11 per cent cumulative redeemable preference shares owned by Midland Montagu Equity. The balance will be used to reduce borrowings.

The business of the group, operating from 17 locations all within a 35-mile radius of Milton Keynes, includes vehicle wholesaling and retailing, servicing and accident repairs, contract hire and leasing, and self-drive rental. It has Austin-Rover, Ford, Vauxhall and Freight Rover dealerships.

Pre-tax profits in the four years from 1984 to 1987 grew from £329,000 to £765,000 on sales up from £16.23m to £30.12m. For the eight months to August 31 this year pre-tax profits were £732,000 on turnover of £28.08m.

A forecast of not less than £900,000 of pre-tax profits for the year to December 31 produces a prospective p/e of 8.

Placing for Bostrom valued at £15.5m

By Philip Coggan

BOSTROM, a company which manufactures suspension seats for commercial vehicles, is set to join the main market today in a placing which will value the group at around £15.5m.

Kleinwort Benson is expected to place around 4m shares, about a third of the equity, at 135p each. The company is raising around £2m via the issue.

Bostrom was formed in 1984 after a management buy-out of the non-US operations of Bostrom Seating Corporation. When the three managers bought the group in 1984, "it was losing money like a hole in the head", according to Mr Colin Howell, managing director.

Following the buy-out, which was backed by Kleinwort Benson Development Capital and ECI Ventures, costs were reduced, partly via the closure of a factory in Belgium, and the group became profitable.

After profits of £958,000 last year, Bostrom is forecasting pre-tax profits of £2.05m in 1988. At the placing price, the shares will be on a forecast p/e of 11 and the notional gross dividend yield will be 5 per cent.

Bostrom makes seats for trucks, tractors and construction equipment and has managed to increase its market share in recent years, although the overall market for commercial vehicle sales has been sluggish.

The group operates a sophisticated "just-in-time" distribution system which has cut stocking levels and has made the company a frequent case study for business schools. The JIT system has reduced factory space at the Northampton headquarters by 25 per cent, enabling the group to rent out part of the premises to other businesses.

Bostrom has recently established a second division to reduce the group's dependence on automotive seating. The first company to be acquired for the new division was Saunders Electronics, a subcontractor of electrical control cabinets.

Mr Howell sees scope for the group to expand via building up this second division and by growing the seating business in Eastern Europe, Japan and the US.

UK COMPANY NEWS

Surgery puts NSM in the black...

By Clare Pearson

NSM, one of Britain's largest private coal miners, achieved pre-tax profits of £4.22m in the six months to September 30. These were the first results for the company, previously known as Burnett and Hallamshire, since its radical restructuring through an asset swap with Anglo United earlier this year.

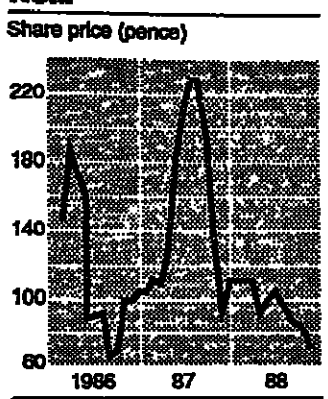
The pre-tax figure for the comparable period was a £1.85m loss which grew to £29m at the full-year stage after extensive provisions for write-offs and losses from discontinued operations.

The new-look open-cast miner NSM at the very end of the period branched out into construction materials with the £82.5m purchase of Bison Holdings, supplier of pre-stressed concrete flooring.

It has also sold its carrier ship for $15.25m (£8.3m), and contracted to dispose of some

NSM

Share price (pence)



underground mines in Staffordshire for £1.8m. It has yet to sell its 49.5 per cent shareholding in Rand London, the South African mining concern, as well as some US properties.

Earnings amounted to 2.8p (losses 1.1p). A dividend of not less than 3p per share is expected to be recommended for the full-year.

In the UK, Anglo United's open-cast coal mining operations were integrated into one company, Coal Contractors, during the period, providing significant cost savings. The US subsidiary was described as providing a "seven-figure profit" after breaking even in the same period last year.

Turnover stood at £40.31m (£46.35m). Interest charges were cut from £3.55m to £1.6m (£3.55m).

● COMMENT

Given that NSM is just emerging from radical surgery which has, furthermore, left it poised in a no man's land between the mining and construction materials sector, it is not surprising there is a good deal of uncertainty about its future prospects. The fact that its management, who must be said have excellent pedigrees, have only been united for a short time probably doesn't help either. However, Mr Don Carr, the chairman who came from Tarmac, said he expected to see Bison expand its product range: there is apparently considerable scope for expanding the proportion of buildings in the UK which incorporate pre-stressed concrete flooring so concerns about the building materials sector overall should not be overdone. There may also be new opportunities on the mining side in the run-up to the planned privatisation of British Coal. But assuming the enlarged NSM makes about £15.5m this year, and then faces a rising tax charge, the shares which stand at a premium to the market look distinctly expensive at this early stage.

...and Anglo United benefits with rise to £2.5m

By Clare Pearson

ANGLO UNITED'S stake in NSM provided slightly more than half the company's pre-tax profits of £2.51m in the six months to September 30. This is the seasonally quiet period for the company's now-dominant solid fuel distribution business.

The comparative figure was £1.71m.

The benefits to Anglo of its move this spring to inject its open-cast mining operations into NSM with its lower taxes came through strongly in earnings per share, where a rise from 0.6p to 1.4p was achieved.

Mr John Gainham, finance director, said Anglo's original solid fuel distribution business performed much in line with the previous summer.

He said encouraging progress was made in integrating Rushcliffe, acquired in April.

Seaham Harbour Dock, also acquired from NSM, provided about 17 per cent of the pre-tax profits.

Seaham improved on its performance in the comparable period helped by additional investment.

Industrial property development at Hurst Business Park, the old mining site in the West Midlands, was proceeding satisfactorily.

Turnover was £50.74m (£28.52m), while the tax charge fell to £450,000 (£797,000).

The interim is held at 0.2p.

The NSM stake, which stood at 31 per cent, has now fallen to 26 per cent following an expansion of NSM's issued share capital.

Vibroplant expands by 45% to £5.5m midway

By Fiona Thompson

VIBROPLANT, a Harrogate-based plant hire company with interests in the UK and the US, yesterday reported pre-tax profits up by 45 per cent to £5.51m for the six months to September 30, 1988.

The advance from £3.79m was made on turnover 51 per cent ahead at £25.98m (£17.16m). Earnings per share rose from 6.72p to 6.98p and an interim dividend of 1.02p (0.85p) was declared.

The UK business accounted for the bulk of group sales, contributing £16.26m this time against £12.74m last year and making a pre-tax contribution of £4.61m (£3.15m). With its general hire operations and four specialist divisions, Vibroplant operates in most sectors of the UK construction industry with road construction/repair and housebuilding being two of its major sectors.

Construction activity levels have not to date been affected by the interest rate hikes except for housebuilding in the south east, said Mr Jeremy Pilkington, chairman. "However, we are still seeing good rates of housebuilding in the regions."

The US business is in retail developments, warehousing, manufacturing and general rental. The group now has six companies in the US, five specialising in self-propelled ariel access platforms and one in the rental of general plant such as fork-lift trucks, road rollers, vibrating plates, dumpers, small compressors and pumps. This is similar to the UK general plant hire business.

The US interests contributed pre-tax profits of £900,000 (£635,000) on sales of £9.73m (£4.43m). In comparison to the UK, the US margins were poor.

This was primarily because a number of the businesses were acquisitions which were under-performing when purchased "but these are now improving." Also, selling costs and some operating costs are much higher in the US than the UK.

"We are more highly geared in the US," said Mr Pilkington. "Two thirds of total group borrowing is in the US."

Wiggins profit doubled to near £4m at halfway

Wiggins Group, property development, housebuilding and motor distribution company, reported pre-tax profits more than doubled to £3.82m in the six months to the end of September.

The outcome was achieved on turnover 40 per cent ahead at £56.95m (£40.67m). Mr Stephen Hayklan, chairman, said that action was formulated early in the year to mitigate an anticipated slowdown in the residential property market and as a result all operations were currently performing in line with forecast.

After tax of £852,000 (£346,000), earnings per 10p share expanded to 19.1p (9.5p). The interim dividend is lifted to 3p (2p).

T&N reorganising in SA

By Ray Bashford

T&N, the engineering group formerly known at Turner & Newall, is reorganising its South African interests through two deals which reduce its exposure in the country.

The automotive components activities are being merged through Turner & Newall Holdings, the 51 per cent owned South African subsidiary, purchasing the parent company's 76.3 per cent stake in Associated Engineering (Asseng).

The shareholding will be acquired for £7.3m and £7m will be remitted to Britain through the financial Rand.

T&N is also making a further withdrawal from the asbestos industry through the sale of its 25 per cent stake in Everite, South African fibre cement building products group.

Together, the deals cut the size of shareholders funds invested in South Africa from £17m to £10m.

Two and a half years ago before the reduction of its stake in the South African subsidiary from 78 per cent to the present level, shareholders funds invested in South Africa represented 7 per cent of the total.

Mr Martin Bell, finance director, said the company was not planning to disengage entirely from South Africa. He said that the company saw scope for expansion in the automotive components market which should "move from strength to strength."

The merged South African automotive components groups will complement each other and help achieve improved results, he said. Turner and Newall specialises in gaskets and friction materials and Asseng in bearings and cylinder components.

The sale of the Everite holding will help finance the purchase of the Asseng stake and at the same time will form part of the plan to place increased emphasis on the automotive components business.

T&N has progressively moved away from the asbestos business as claims against the company for compensation over alleged asbestos-related illnesses have increased. T&N's compensation in the US is running at £10m a year and may escalate.

Arthur Shaw up 30%

ARTHUR Shaw & Company, the designer and maker of safety and security fittings for windows, which gained a USM quote in June, reported a 30 per cent increase in pre-tax profits for the 26 weeks to October 2.

The taxable figure of £535,000 compared with the £412,000 reported for the 26 weeks to September 27 1987. Turnover advanced 25 per cent to £6.27m (£5.02m) and earnings per 10p share moved ahead to 4.75p (4.3p). An interim dividend of 1.1p has been declared.

Mr Ian Tickler, chairman, said that sales had been buoyant in a competitive market with demand increasing for both own-manufactured and factored products. He added that the board was pursuing suitable acquisition possibilities and expected to be able to report progress soon. He looked forward to a satisfactory full-year result.

Hewetson rises to £815,000

Pre-tax profits at Hewetson, the manufacturer of raised access and hardwood floors floated on the USM in February 1987, more than doubled in its first half to September 30.

From the £348,000 reported last time taxable profits increased to £815,000.

This was achieved on turnover ahead 57 per cent at £10.69m (£6.82m). Hewetson acquired Bennett (Windows), timber window frame supplier, in December 1987 and CFS, carpet tile supplier, at the end of June 1988.

The results include Bennett for the whole period and CFS for three months.

After tax of £285,000 (£122,000), earnings per 10p share rose 65 per cent to 6.26p (3.8p) and the interim dividend is lifted to 1.25p (1p).

Chamberlin & Hill progresses

Good trading conditions during the six months to September 30 enabled Chamberlin & Hill, foundry operator and electrical engineer, to lift its pre-tax profits for the period from £584,000 to £774,000. Turnover advanced by £950,000 to £7.08m.

The interim dividend is being lifted to 2.5p (2p) from a 32 per cent rise in earnings to 14.2p per 25p share.

The directors said demand remained strong and that the results for the full year should reflect further progress.

Rex Williams interim downturn

REX WILLIAMS Leisure pre-tax profits were down from £103,000 to £89,000 for the six months ended May 31 1988, but the directors explained that 1988 and the greater part of 1989 should be viewed as periods of transition.

They added that because of current levels of investment, there is no interim dividend—last time 0.42p was paid followed by a 0.2p final.

Midway turnover amounted to £1.11m compared with £756,000. After tax of £65,000, against £36,000, earnings per share were given as 0.1p (0.61p).

Directors stated that because of the group's trading seasonality they have decided to extend the year-end date to May 31. As a result the current accounting period will cover the 18 months to May 31 1989.

Murray Technology

Net asset value per share of Murray Technology Investments stood at 89.44p at end-September, compared with 83.79p at March 31 1988, and 111.71p a year previous. The directors expected to recommend an unchanged dividend of 0.4p.

Fulcrum Investment

Fulcrum Investment Trust reported net assets 41.98p (41.74p) per income share and 16.24p (15.96p) per capital share as at October 31. Second interim dividend of 4.4p makes 6.95p (6.3p) for year.

Edbro advances

On sales up 23 per cent from £11.7m to £14.4m, pre-tax profits Of Edbro was £1.5m (£1.1m). After tax of £490,000 (£300,000), earnings per share worked through at 13p (9p). The interim dividend is lifted to 3p.

COMPANY NEWS IN BRIEF

ASSOCIATED NEWSPAPERS: The offer by the Daily Mail and General Trust has been accepted in respect of 41.03m ordinary shares (30.67 per cent). Including shares already owned and those which the bidder has contracted to purchase acceptances total 120.45m shares (90.04 per cent).

GALLIFORD: AGM told that since preliminary results in early October, improved levels of demand had been maintained. All parts of group performing at least in line with expectations.

MARINE ADVENTURE Sailing Trust: Net asset value at year ended September 30 1988 was 266.4p (501.5p). Directors are investigating various options regarding the future of the company.

OGLESBY AND BUTLER (Soldering iron manufacturer): Turnover I£1.96m (£1.66m) for six months to end-September compared with £926,000 last year. Pre-tax profit £214,000 (£165,000). Interim dividend 0.76p.

PERKINS FOODS has acquired Vebruco Import, Rotterdam-based fresh fruit and vegetable importer, for initial consideration of Fl 3.55m (£998,000) comprising Fl 2.66m cash with balance of 356,540 new Perkins shares. Further consideration to maximum Fl 500,000 payable subject to Vebruco profits up to end-1991.

SCOTTISH INVESTMENT Trust raised net asset value 8 per cent from 154p to 166.5p in the year to October 31 1988. A final dividend of 2.2p (1.58p) is proposed.

UK COMPANY NEWS

Vivat to dispose of ill-fated UK retailing side

By Alice Rawsthorn

VIVAT HOLDINGS the troubled leisurewear company which recently broke off bid discussions, is selling its loss-making UK retailing interests to Chelsea Man, USM-quoted retail group, for up to £21.5m.

Vivat diversified into retailing by buying the Jean Jeanie leisurewear chain in 1986 in an attempt to reduce its reliance on manufacturing. Mr Michael Cooper, chairman, described the diversification as a "costly and difficult exercise".

Once the disposal is complete, Vivat will concentrate on restructuring Lee Cooper jeans and on developing other leisurewear interests like FU's jeans and its Spanish retail company. Vivat's shares fell 5p to 86p yesterday.

Chelsea Man, which joined the USM two years ago, has intended to expand its small chain of Nickleby's shops for some time. It is buying 118 shops – trading as Jean Jeanie, Jean Machine, Copyright and FU's – from Vivat.

Some of the shops will be converted into Nickleby's: others will be used to introduce new concepts. Mr Sam George, chairman, said it would take "a lot of hard work" to restore the shops to profitability.

After the acquisition of Jean Jeanie, Vivat bought two additional chains of shops. Its retail business was profitable in 1986 but fell into losses the following year due to the slump in jeans sales and, what Mr Cooper described as "very bad purchasing decisions".

In the nine months to October 1, Grant Seward, the main UK retailing company, made a pre-tax loss of £5.6m on sales of £30m. The smaller CTL business also traded at a loss.

Earlier this year Vivat appointed a new managing director to conduct a review of its UK retailing activities. But Mr Cooper said the board had decided that it would take too much time and money to turn the business around. Given the uncertain outlook for consumer spending next year, Vivat decided to sell.

The price of the deal will be determined by an evaluation of Grant Seward's adjusted net assets, subject to a reduction for trading losses. The minimum consideration is £15.5m and the maximum £21.5m.

Difficulties in UK retailing were one of the chief contributors to Vivat's fall from pre-tax profits of £3.6m to a loss of £3m in the first half of this year. After a boardroom row this summer Vivat became a takeover target. But earlier this month it announced that it had terminated bid discussions.

Vivat's strategy is now to cut costs by completing its withdrawal from jeans production in Europe. Mr Cooper said that the group was on course to trade profitably again next year.

Bromsgrove doubles to £2.22m at half-time

By Richard Tomkins, Midlands Correspondent

BROMSGROVE INDUSTRIES, acquisitive engineering and financial services group headed by Mr Bijan Sedghi, yesterday reported a strong rise in pre-tax profits from £1.02m to £2.22m for the six months to September 30.

Mr Sedghi said acquisitions had contributed only a modest proportion of the increase. About 75 per cent of the growth was attributable to improved efficiency among the existing businesses and strong demand for their products.

Turnover rose from £13.17m to £20.65m and earnings per share rose by 58 per cent from 3.39p to 5.35p. The interim dividend is 1p (0.65p) and Mr Sedghi forecast a full year dividend increase at least as big as last year's, suggesting a minimum payout of 2.66p.

A net profit of £262,000 on the sale of Bromsgrove's stake in Banro Industries was taken as an extraordinary item.

Mr Sedghi said Bromsgrove's aluminium castings operations had performed particularly strongly during the half year, increasing volumes by 25 per cent. Vetchbury, stainless steel processor, had doubled capacity through a factory extension in May, and Arnold, which makes precision components for the aerospace industry, bounced back from last year's depressed first half.

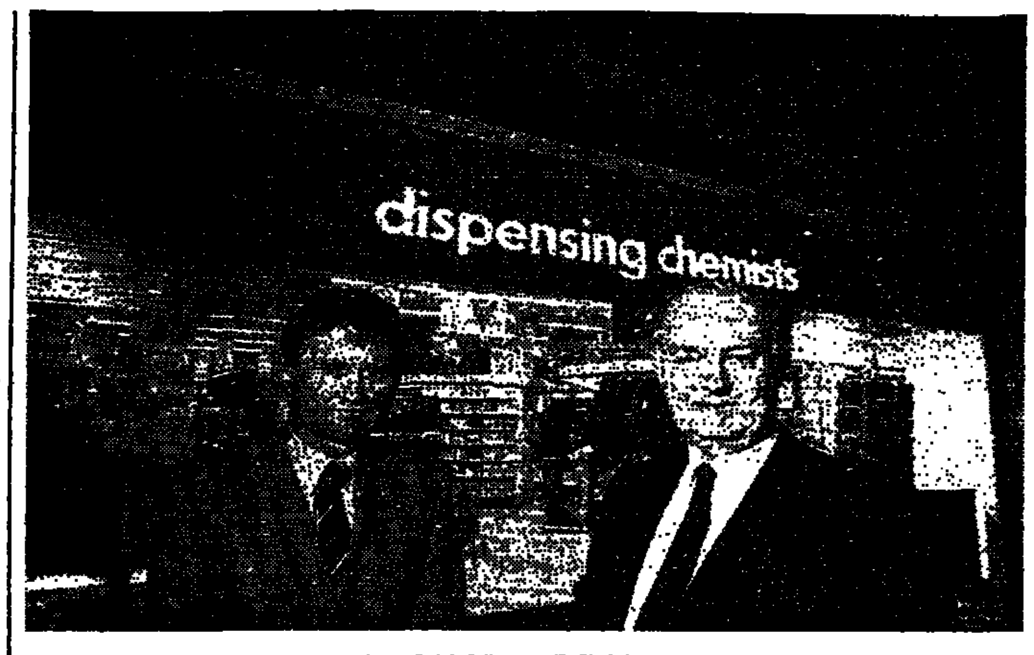
The newly-acquired financial services arm, comprising Neville, finance house, BRI, share information service, and Ball & Boston, financial consultancy, made a first-time contribution of £72,000 to trading profits.

Bromsgrove had no debt at September 30 but has since borrowed £1m to buy a 20 per cent stake in Ratcliffs (Great Bridge) and a small stake in another unnamed company.

Mr Sedghi said he could not comment on Bromsgrove's intentions towards Ratcliffs, a processor of brass and copper strip. On its wider acquisition strategy, he indicated that further purchases were more likely to be for cash than for shares.

● COMMENT

Bromsgrove's sluggish share price performance so far this year has in some degree been caused by the sight of large quantities of paper being issued to feed acquisition-led growth, a technique that lost favour with the crash. Yesterday's figures should have helped dispel Bromsgrove's image as outmoded mini-conglomerate: organic growth constituted 75 per cent of the profits increase and there was none of the merger accounting wizardry that marred the last full-year figures. Amid the flight to safety that characterises today's market, however, organic growth led by sales to the automotive sector is seen as a potential weakness and the promised full-year dividend is a long way from putting the company into the category of a yield stock. With £5.2m in sight this year, the shares, down 1p at 111p, reflect the market's caution with a prospective p/e of 9.5.



Now London belongs to Keith Ackroyd (right), retail division managing director of Boots, which agreed to buy its smaller rival, Underwoods, for £40.8m. Underwoods' 50 London chemist shops increases Boots' presence in the capital and thwarts a planned management buy-out led by Alan Gaynor, the target company's managing director.

Herring buys Scottish surveyor

By William Cochrane

HERRING, Son & Daw, quoted chartered surveyors, which came to the market last May, is moving north of the border with the acquisition of James Barr & Son of Glasgow for up to £6m. HSD was capitalised at £15m on its flotation.

Barr is a leading rating specialist. It gets 80 per cent of its income from professional work and has particular expertise in valuing specialised properties such as steelworks, distilleries and other major industrial plants.

Mr Nicholas Owen, HSD chairman, said yesterday that the merger would create a dominant force in rating in the run up to 1990, when all commercial properties in Britain are to be revalued for rating purposes. To date, about 50 per cent of HSD's income has come from occupational agency.

The Scottish market, say the two companies, is at an early point in its growth cycle.

Reflecting these prospects, the payment to Barr partners goes up on a sliding scale, to £6m if profits before tax reach £925,000 for 1989 compared with £215,000 in 1987. An initial consideration of £3.645m is payable on the basis of pre-tax profits of £810,000 for 1988.

"Until a couple of years ago," Mr Barclay said, "institutions found it barely worthwhile to invest in Scotland because of the unattractiveness of the returns. Now that the institutions are coming back we feel that we are only at the starting point with tremendous buoyancy showing, especially, in the Glasgow and Edinburgh markets."

Really Useful Group £800,000 handshake

Shareholders in The Really Useful Group, copyright holder for Mr Andrew Lloyd Webber's stage musicals, approved an £800,000 leaving payment to Mr Brian Brolly, former managing director and co-founder of the company. Three-quarters of the sum is in lieu of pension entitlement.

Courtaulds bids £19m for balance of paintmaker

By Alice Rawsthorn

COURTAULDS, the international chemicals and textiles group, has mounted an £18.9m bid to take full control of Taubmans Industries, an Australian paints company in which it already has a majority shareholding.

Courtaulds, one of the largest players in the world paint market, presently holds 56.5 per cent of Taubmans' shares. It is offering A$5 (£2.37) for each of the remaining ordinary shares and A$2 for the preference shares.

The offer, which values the company at A$91.9m, is pitched at a 25 per cent premium to the last quoted price for Taubmans shares on the Australian stock market.

In recent years Courtaulds has pursued a policy of buying out the minority interests in its businesses. It has recently taken full control of other paints companies in Norway, Sweden and France.

Mr Richard Lapthorne, group finance director, described the Taubmans offer as "a mopping-up exercise" that formed part of the expansion of Courtaulds' paints interests in the Pacific Basin. The group is presently building two new paints plants in Taiwan and Thailand.

Taubmans specialises in the production of protective coatings such as weather-resistant paints. It is among the largest manufacturers of industrial paints in Australia and is one of the three leaders in the decorative paint market.

In its last full financial year to March 31 Taubmans made operating profits of A$4.9m on sales of A$165m. The Courtaulds offer values the company at an exit price/earnings ratio of almost 19.

Courtaulds has expanded rapidly within the world paints industry in recent years. Last autumn it strengthened its presence in the US paints market with the acquisition of Porter Paints.

Last week the group announced a 4 per cent fall in pre-tax profits to £98m for the first half of the year, reflecting difficulties in its traditional textiles and fibres interests. The paints division emerged as one of the strongest performers by mustering a 57 per cent increase in operating profits to £22m.

Circaprint flat at £1.24m

CIRCAPRINT Holdings, maker of printed circuit boards, reported static pre-tax profits for the year to the end of August 1988 on turnover 20 per cent higher at £14.06m, against £11.73m.

The taxable figure for this USM-quoted company was £1.24m (£1.25m) after including an exceptional profit of £81,000 on a property sale. Earnings per 10p share were stated at 15.7p (15.3p) and the directors are recommending a single final payment of 2.4p (1.92p).

Mr Bernard Stroud, chairman, said that during the year many major customers had been demanding a much closer relationship to implement 'ship to stock' policies and also putting constant pressure on the company to keep down prices.

Sanders & Sidney ahead at midterm

Sanders & Sidney, USM-quoted counselling services company, increased its profits before tax from £305,000 to £364,000 for the half-year to September 30.

Turnover expanded by 59 per cent to £1.43m. Directors said the underlying core business, the outplacement of senior executives, was showing steady growth. Half-year earnings emerged at 5.1p (4.3p) per 5p ordinary and the interim dividend is stepped up to 2.3p (2p).

Property Partnerships up at £995,000

Pre-tax profits at Property Partnerships, property investment and hotels group, increased from £846,000 to £995,000 in the six months to end-September 1988.

Gross rental income from investment properties rose 13 per cent to £666,000 (£590,000) while hotel turnover was up 16 per cent to £2.3m (£1.99m).

After tax of £348,000 (£296,000) earnings per share came out at 6.06p (5.16p). The interim dividend is 2p.

F&C Eurotrust launches £9m offer for Nordic

By Philip Coggan

F&C EUROTRUST has made a bid for Nordic Investment Trust in an offer which values its fellow trust at £9m, or around 99.25 per cent of the latter's net asset value.

The offer follows shareholder pressure to wind up Nordic Investment Trust. At a recent extraordinary meeting 72 per cent voted in favour of a wind-up, but the motion failed because it required a 75 per cent majority.

Mr Anthony Dick, Nordic chairman, said yesterday: "We had two lots of shareholders with different points of view. This offer seems to be the answer."

Eurotrust already owns 4.99 per cent of Nordic, and Bylock Investments, which had been prominent in urging a wind-up, owns a further 29.99 per cent. Along with some other holders, this means that the offer has support from owners of 35.9 per cent of Nordic's equity.

The offer terms are as follows: for each Nordic share, such number of Eurotrust shares, valued at 100 per cent of Eurotrust's asset value, as are equal in value to 99.25 per cent of Nordic's net asset value.

There is also a cash offer, underwritten by Rowe & Pitman, which will value Nordic on the same basis. The exact asset value of Eurotrust will be calculated when the offer goes unconditional, but on the most recent valuation, the bid values each Nordic share at 64.3p.

Normally it is difficult for one investment trust to acquire another, because of the discount to net asset value at which most trusts trade. However Eurotrust is that rare breed, a trust trading at around net asset value.

Mr Eric Elstob, joint manager of F&C Eurotrust, said that the offer would increase liquidity in Eurotrust. The Nordic portfolio, which was invested primarily in Scandinavia, would fit into Eurotrust's European investment spread.

As part of the agreement, GT Management, which managed Nordic, will be paid the equivalent of one year's management fee. The takeover will reduce the number of investment trusts managed by GT to three.

Nordic's shares closed at 66p, up 6p and Eurotrust's at 223p, down 6p.

Five Oaks up 39%

Five Oaks Investments taxable profits grew by 39 per cent to £3.04m in the year to end-June 1988.

Fully diluted earnings per 5p share were 8.73p (7.14p).

James Cropper

Taxable profits at James Cropper, paper manufacturer, rose from £1.08m to £1.17m in the six months to October 1. The directors said that the improvement in the first half arose from a strong order book and greater production efficiency. Turnover advanced to £17.17m (£15.76m) and there was an increased provision for tax of £258,000 (£81,000), resulting in a decline in earnings per share to 11.3p (12.3p). The interim dividend is lifted to 0.875p (0.675p).

COMMODITIES AND AGRICULTURE

Violence threatens PNG mine investment

By Chris Sherwell in Sydney

CRA, THE Australian resources group which is 49 per cent-owned by RTZ of the UK, yesterday warned the Papua New Guinea Government of the serious consequences for foreign investment of violent disturbances at mine sites.

Mr Don Carruthers, chairman of Bougainville Copper, CRA's subsidiary in Australia's Melanesian neighbour, expressed the group's concern when he met Mr Rabbie Namaliu, the Prime Minister, in Port Moresby.

The meeting followed two incidents at the group's copper and gold mine on Bougainville island on Saturday, in which local inhabitants threw stones at employees, damaged mine equipment and a helicopter, set fire to an administrative building and a hangar and attempted to set fire to other buildings.

A special force of police was flown in to help company security personnel and local officers to restore order, and they are now co-operating to protect the open pit mine and concentrator

Production at the mine, which has a capacity of 550,000 tonnes of copper concentrate a year plus significant amounts of contained gold, was not affected. But the attacks came as a shock to the company and its employees, and on the Australian stock exchange, where Bougainville is quoted, the share price dipped 15 cents on a generally slack day to finish at A$3.15.

This is the second outbreak of violence at a foreign-controlled mine in Papua New Guinea in as many months. At the end of September the Ok Tedi copper and gold mine, in which BHP and Amoco have major stakes, employees went on the rampage when a local housing and job classification dispute got out of hand.

The latest trouble springs from grievances of local landowners who are making massive compensation claims and are upset at the lack of response from the company. The attacks followed an armed hold-up last Tuesday in which company explosives were stolen, although these were not used on Saturday.

"The company is extremely concerned with the premeditated and co-ordinated nature of the recent attacks," Bougainville said on Sunday. It added that it was "making representations at the highest levels of government to ensure those responsible are brought to justice." A number of suspects are already in police custody.

Opec agreement opens a new chapter

Steven Butler examines the implications of the production deal reached in Vienna

A NEW chapter was yesterday opened in the history of the Organisation of Petroleum Exporting Countries when ministers meeting in Vienna signed their first 13-member production agreement in two years.

This will not of course lead to any repetition of the bad old days when the oil cartel seemed able at times to charge virtually any price it wanted for oil. The cartel's steady loss of its share of the world market makes this impossible. But changes in economic fundamentals as well as changes in the cartel's internal political situation have improved chances that this agreement is a realistic one that will in fact promote stability in oil markets.

In the 1970s Opec enjoyed a period of rapid increase in demand for oil that allowed it to jack up prices to what proved unsustainably high levels. In contrast the early 1980s saw demand for Opec oil fall sharply, leading to a price collapse. Now demand for Opec oil is gradually rising, and with the lessons of the past painfully absorbed, the cartel may be far better placed to play a positive role in world oil markets.

This is precisely what makes this new agreement so interesting. The 13 Opec members compromised for the sake of an agreement that, if adhered to, will bring certain benefits to all because it makes a realistic accommodation with oil markets.

Rather than fight the market to achieve the stated price goal of $18 a barrel, the idea is to create market conditions that will allow the price to rise. "If you want to give away your oil, you are allowed to," said Sheikh Ali Kalifa Al-Sabah, the Kuwaiti Oil Minister yesterday, "so long as you do not go over your quota."

Of course if Opec members did start giving away oil it would have a rather disastrous effect on oil prices and the same principle applies to selling it cheap.

This raises the question of how the price will ever be brought up to the target of $18 that was agreed upon. For starters, few analysts inside or outside Opec really believe that $18 oil is in the cards for the first half of next year, which is the period covered by the agreement.

Mr Rilwanu Lukman, the Nigerian Minister, who is also Opec's president, said yesterday he hoped that prices would begin to firm in March and April, and reach $18 by the end of the agreement. But privately, many members of the cartel would be perfectly happy to see oil prices stabilise near $15, which is roughly equivalent to $16 for North Sea Brent crudes, or $17 for West Texas Intermediate.

This is not an over ambitious goal for the six month period covered by the agreement. To achieve it, however, Opec will have to fight a psychological battle with the markets. This is because in the past Opec has been the residual producer, the high price seller that buyers turn to after buying cheaper oil from producers outside the cartel. Without official or fixed prices, Opec will have to establish some credibility to enable it to talk the markets up. Markets have to be convinced that Opec will be up to something should prices begin to slide off.

To begin with, most analysts believe the 18.5m barrels a day ceiling is reasonable. It will not jolt the market upwards, beyond the initial relief that runaway production has been halted. But it is also not fixed so low that compliance by individual Opec members is impossibly difficult. Thus the production goals appear realistic and this is a good sign.

Of course Opec members in recent years have tended to pay scant attention to their quota commitments under Opec agreements. Most observers estimate that 18.5m b/d means at least 19m b/d in real terms, with a progressive deterioration over the course of the agreement.

If the past is any guide to the future, this should prove correct. But Opec has set up a beefier mechanism to monitor production in the form of a new committee in which each member country will have a representative in Vienna.

The effort ought not to be written off before it starts. A new Ministerial Monitoring Committee, composed of ministers from Algeria, Indonesia, Iran, Iraq, Kuwait, Nigeria, Saudia Arabia and Venezuela, will be empowered to act should members be found guilty of violating quotas. This committee is to meet if prices fall seriously over two months, and will, in any case, meet in March, to assess oil markets and the implementation of the agreement. It is empowered to call an emergency meeting of all ministers.

The effect all of these meetings and compliance mechanisms will have on Opec behavior is uncertain, but they are likely to keep oil traders on their toes, and this is half the battle.

"It is a good agreement," says Mr Joseph Stanislaw, of Cambridge Energy Research Associates. "The way it is structured makes it a durable agreement for six months."


Gholamreza Aghazadeh (left) of Iran finally accepted quota parity with Iraq, whose Oil Minister, Issam Abdul Raheem Al-Chalabi (right), saw the agreement as "a victory for Opec."

The fact that is it a six-month rather than a one-year agreement adds to its strength because it gives Opec more flexibility to respond to changes in the market.

Beyond the details of the agreement, however, this meeting has marked a political watershed for the cartel. As far as Opec is concerned, the Iran-Iraq war is over, whatever happens at the Geneva negotiations. Mr Gholamreza Aghazadeh, the Iranian minister, had to accept quota parity with Iraq, but he came away with an 11 per cent rise in Iran's quota. Mr Issam Abdul Raheem Al-Chalabi, the Iraqi minister, will have to reduce real output, but will be getting parity with Iran and higher revenues, should prices rise.

"We are happy to be back," said Mr Al-Chalabi yesterday. "It is a victory for Opec."

All Opec members were to some degree in the same position, of having to give something up, but getting something in return. It was this aspect of the meeting that Mr Sadek Boussena, the Algerian minister, said was the most important accomplishment in Vienna.

Opec members will continue to have conflicting economic interests, but, at least for the time being, political pressures brought on by Middle East conflict have been moved to the back seat. This, together with the changed economic environment, has at least created the possibility that Opec can begin to work more sensibly toward the economic goals for which it was established.

Inflation fears were rekindled yesterday by the Opec agreement on oil production and this prompted interest in precious metals, dealers said. But platinum was the only one to hold most of its early gains, *writes Kenneth Gooding.*

In London platinum ended at $589 a troy ounce, some $6 an ounce ahead of last Friday's closing price.

Demand for gold bullion was not strong enough to push the price through the important $425 an ounce barrier when precious metals followed yesterday's early rallies in oil prices.

As profit-taking on oil set in, the gold price eased back and in London it ended 75 cents an ounce below Friday's level at $423.50.

On the New York Commodity Exchange traders said trade houses which had been early buyers of gold turned sellers as the spot price for *bullion approached $425 an ounce.* Traders indicated that the Opec accord had already largely been taken into account in precious metal prices.

London dealers said activity in the silver market was generally light and confined to professional business. Silver traded between a low of 611 cents an ounce and a peak of 621 cents before closing 2 cents down from last Friday at 616 cents.

Egypt reduces wheat debt

By Tony Walker in Cairo

EGYPT HAS made a substantial cash payment to the Australian Wheat Board to cover part of its debt falling due between July and December this year. This was one of the conditions set by the Board, which is owed about US$600m by Egypt, before it was prepared to begin negotiations on shipments for 1989.

The Australian Government has insisted that the large Egyptian wheat debt be substantially reduced over a maximum of four to five years. Australia has been selling wheat to Egypt on three-year credit terms for the past 15 years.

Wheat Board officials said that Egypt, as a sign of good faith, had paid "about half" of the $130m owed in the six months to December. The rest would be paid by the end of the year. They added that Egypt's payment was an indication of the importance it attaches to maintaining reliable shipments from Australia. The Wheat Board has been supplying up to one-third of Egypt's annual imports of about 7m tonnes of wheat and wheat flour.

Under a five-year agreement running to the end of 1989, Australia undertook to provide Egypt with 10m tonnes of grain, with a minimum commitment of 1.5m tonnes annually. The Australian Government, through its credit insurance arm, EFIC, is anxious to reduce as quickly as possible its exposure to Egypt, which has stopped making payments to most of its international creditors, pending a second rescheduling of part of its mountainous $46bn foreign debt. Such a step depends on a new International Monetary Fund agreement currently under negotiation.

The Australians were anxious to secure a cash payment before a rescheduling arrangement deprived them of the opportunity. About $350m of Egyptian debt to Australia – most of it to the Wheat Board – was included in the first Paris Club rescheduling concluded in May, 1987.

The Australian Government was obliged to make a big insurance payout to the Wheat Board to cover most of the rescheduled amount.

● Lack of rain in Brazil's major soy-producing state of Parana is delaying planting there and could cut its 1988-89 output, analysts said. In Brazil overall, dry weather has also delayed planting, Reuter reports from Sao Paulo.

Only 44 per cent of the country's soy crop had been planted by the end of last week,

Angola wins diamond premium

By Kenneth Gooding, Mining Correspondent

ANGOLA'S state-owned diamond mining and marketing company will this year sell more than 1m carats of rough (uncut) stones worth US$180m, compared with 750,000 carats valued at less than $100m in 1987, according to its London consultant.

The selling procedure used by Endiama (Empresa Nacional de Diamantes de Angola) has enabled it to obtain very high prices for its diamonds and achieve "a significant premium" over the prices set by De Beers' Central Selling Organisation, which controls about 80 per cent of the world's rough diamond trade, said Mr Martyn Marriott, of Diamond Counsellor International.

Endiama's sales dropped to only 250,000 carats worth less than $15m in 1986 but since then production had increased – particularly since the state company was allowed to contract out some of its mining operations – and the quality of the stones had improved, while at the same time world prices had risen sharply, said Mr Marriott.

The Angolan company decided to disclose sales figures in view of "recent inaccurate reports" which suggested Endiama executives had been selling its stones to favoured traders at well below market prices.

Since January last year Endiama, which is not part of the CSO cartel, has been offering its diamonds to between four and eight buyers at monthly or bi-monthly tenders. A reserve price was set for Endiama by Diamond Counsellor International, an independent consultancy group which also works for Argyle Diamonds and worked for 12 years for the Botswana Government.

Mr Marriott said Endiama's tender system had drawbacks – no lasting relationships were being established and it did not enable Endiama to train Angolans – and there was concern that it might not be so successful in a weak market.

Consequently, for the past two months Endiama had been testing a system of marketing on commission through agents chosen from those most successful at the tenders.

● The Bank of Uganda is to start buying gold from small prospectors in a bid to cut the present illegal trade in alluvial gold, banking officials said. Buying centres will open next month in areas where small-scale prospecting takes place, as well as in Kampala, Reuter reports from Kampala.

Peruvian miners' strike in 8th week

By Veronica Baruffati in Lima

THE PERUVIAN miners' strike is now into its 43rd day with no end in sight.

Miners' leaders have organised a week of marches, demonstrations and a massive hunger strike in an attempt to draw attention to their industry-wide demands and win the release of union leaders held by police in their anti-terrorist division.

An official of the Federation of Miners, Metallurgical and Steel Workers said the miners were going to radicalise the strike because "there is still no solution to our demands, despite the fact that we have been on strike for 42 days."

Southern Peru Copper Corporation (SPCC), Peru's largest copper producer, last week declared *force majeure* on all deliveries until further notice, including 3,000 tonnes of copper blister and 4,000 tonnes of cathodes which were to be delivered before the end of this year.

According to a Southern Peru official, the strike has become purely political. He maintained that agreements had been reached with the corporation's miners in Toquepala, Ilo and Cuajona, but said miners were afraid to return to work because of death threats by the Sendero Luminoso and the Tupac Amaru Revolutionary Movement (MRTA) terrorist groups.

An official at Centromin supported this view, saying his company's miners had received threats of assassination if they returned to work before the Federation's industry-wide claims were satisfied.

At the beginning of this strike, which has already cost the country over $200m in lost export revenue, two miners were killed for refusing to stop work.

CORRECTION

In our story on iron ore published last Friday, we incorrectly gave proposed prices of $28.50 and $49 a tonne for CVRD fines and pellets respectively. This should have read 28.50 cents and 49 cents per metric tonne unit (10 kg) of contained iron: each tonne of ore contains about 65 per cent iron.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	−325	to 35,475
Aluminium high grade	+8,100	to 142,875
Copper Grade A	+2,475	to 65,500
Lead	unchgd	at 57,175
Nickel	+510	to 2,082
Zinc	−325	to 21,750
Tin	−165	to 7,035
Silver (oz)	+48,000	to 15,258,000

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices eased from earlier levels in the afternoon, closing with cash metal down from Friday's record and three-month metal £4 up at £1,677.50 a tonne. Pre-market trading reached a record dollar high of $3,075 a tonne, but it was followed by profit-taking after an unexpected rise of 2,425 tonnes in LME warehouse stocks. In the zinc market the stock figures created some hesitancy, with high grade stocks up slightly against expectations of a fall. Special high grade stocks showed an overall fall as merchants began to withdraw some of the European smelter metal which had boosted stocks of this grade recently. Prices closed virtually unchanged. Traders said there was insufficient buying interest to test the previous record three-month high of $1,538 a tonne but chartists expect a move up to that level in the near future.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.38-48q	-0.02
Brent Blend	$14.55-65x	
W.T.I. (1 pm est)	$15.34-37q	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$184-187	+2
Gas Oil	$140-141	
Heavy Fuel Oil	$71-73	+2.5
Naphtha	$141-143	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$423.50	-0.75
Silver (per troy oz)♣	616c	-2
Platinum (per troy oz)	$589	+6
Palladium (per troy oz)	$127.75	-0.25
Aluminium (free market)	$2420	+10
Copper (US Producer)	154½-160	
Lead (US Producer)	40¼c	
Nickel (free market)	640c	+5
Tin (European free market)	£4047.5	+2.5
Tin (Kuala Lumpur market)	19.41r	-0.01
Tin (New York)	342.5c	-0.5
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	115.11p	+0.34*
Sheep (dead weight)†	173.28p	+2.10*
Pigs (live weight)†	80.98p	+0.62*
London daily sugar (raw)	$284.4z	+1.0
London daily sugar (white)	$286z	+2
Tate and Lyle export price	£264.0	+0.6
Barley (English feed)	£114.25v	
Maize (US No. 3 yellow)	£127w	
Wheat (US Dark Northern)	£115x	+1
Rubber (spot)♥	57.0p	+1.5
Rubber (Jan)♥	62.0p	+1.5
Rubber (Feb)♥	63.0p	+1.5
Rubber (KL RSS No 1 Dec)	276.0m	+4.5
Coconut oil (Philippines)§	$560w	
Palm Oil (Malaysian)§	$382.75x	
Copra (Philippines)§	$280w	
Soyabeans (US)	$177x	+1
Cotton "A" index	59.05c	+0.75
Wooltops (64s Super)	610p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. x-Dec. w-Nov/Dec. v-Jan/Mar. u-Mar. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	863	868	875 860
Mar	883	890	896 881
May	872	883	887 871
Jul	874	883	885 875
Sep	878	884	887 877
Dec	899	905	905 897
Mar	909	917	911 906

Turnover: 3019 (7471) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 23: 1133.36 (1124.48):10 day average for Nov 24: 1094.65 (1091.69).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1068	1062	1068 1062
Jan	1083	1076	1087 1075
Mar	1083	1074	1084 1071
May	1079	1072	1081 1072
Jly	1078	1074	1082 1071
Sep	1076	1073	1071
Nov	1076	1073	1076 1069

Turnover:2366 (2313) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 23: Comp. daily 114.49 (115.21); . 15 day average 114.28 (114.16).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	258.00	260.00	
Mar	248.20	253.20	256.00 248.00
May	240.80	246.40	247.60 241.00
Aug	235.60	239.20	241.00 237.00
Oct	232.20	236.60	237 60 235.40
White	**Close**	**Previous**	**High/Low**
Mar	283.00	287.00	289.00 282.50
May	277.50	281.00	283.00 279.00
Aug	277.50	281.00	282.00 280.00
Oct	275.00	278.00	277.00

Turnover Raw 6061 (2904) lots of 50 tonnes. White 848 (257).
Paris- White (FFr per tonne): Mar 1700, May 1670, Aug 1675, Oct 1640, Dec 1630, Mar 1630

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2250	182	179	39	120
2350	119	132	75	171
2450	73	95	127	232
Copper (Grade A)	**Calls**		**Puts**	
2950	380	271	68	257
3100	280	209	114	342
3300	176	145	208	473

TEA
There were 21,108 packages on offer including 2,200 offshore, reports the Tea Brokers' Association. Selected best Assams and most Pekoe dusts came to a strong market at firm to dearer rates but mediums were very irregular and there were some withdrawals. Bangladesh teas remained steady. African CTC's met fair demand but prices were irregular throughout and often several pence easier by the close, apart from dusts which were a much improved feature. Ceylons came in for good competition and frequently advanced. Offshore teas were quite well supported but prices tended easier. Quotations: quality 160p(165p), medium 100p(103p), low medium 72p(same).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 7,350 tonne
Cash	2405-15	2420-30		2415-25		
3 months	2330-5	2340-5	2365/2310	2340-2	2230-5	22,280 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 750 tonne
Cash	1250-60	1260-70		1243-5		
Dec. 21	1250-60	1250-70		1243-5		14,777 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,400 tonne
Cash	1897-902	1905-10	1905/1895	1905-7		
3 months	1677-8	1673-4	1689/1665	1677-8	1666-7	67,016 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	613-6	611-2		613-6		
3 months	627-30	625-6		627-30		426 lots
Lead (£ per tonne)						Ring turnover 6,100 tonne
Cash	391-3	392-3	393/391	392-3		
3 months	387-8	387.5-8	390/384	387-8	384-5	11,040 lots
Nickel ($ per tonne)						Ring turnover 1,026 tonne
Cash	14000-100	14190-200	14300/14200	14275-300		
3 months	12900-50	12900-50	12960/12900	12950-13000	12900-13000	5,564 lots
Zinc, Special High Grade (£ per tonne)						Ring turnover 0 tonne
Cash						
3 months	1565-60	1550-5		1550-60	1535-45	1,369 lots
Zinc ($ per tonne)						Ring turnover 15,350 tonne
Cash	1640-5	1630-5	1640	1640-5		
3 months	1521-3	1506-8	1527/1490	1520-2	1507-10	11,615 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	68.0	64.0	
Apr	96.0	96.9	97.4 95.5
May	111.0	112.0	

Turnover 160 (81) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	163.00	162.50	163.00 162.00
Feb	169.00	169.50	170.50 169.00

Turnover 40 (188) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Nov	1509	1517	1510 1509
Dec	1528	1550	1541 1525
Jan	1538	1555	1550 1535
Apr	1566	1585	1585 1565
Jul	1368	1395	1368
BFI	1511	1512	

Turnover 289 (234)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	111.15	111.30	111.15 111.05
Mar	114.15	114.35	114.15 114.00
May	117.55	117.70	117.85 117.55
Jun	119.15	119.30	119.15
Sep	102.60	102.75	102.60
Nov	105.00	105.15	105.00

Barley	Close	Previous	High/Low
Jan	107.45	107.60	107.65 107.25
Mar	110.45	110.60	110.50 110.25
May	112.45	112.50	112.45

Turnover: Wheat 37 (274) . Barley 239 (201) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	423¼-423¾	230½-231
Opening	420¼-420¾	228-228½
Morning fix	421.40	229.146
Afternoon fix	424.25	230.571
Day's high	424¼-425¼	
Day's low	420-420½	

Coins	$ price	£ equivalent
Mapleleaf	436-441	237-240
Britannia	436-441	237-240
US Eagle	436-441	237-240
Angel	435-440	237-239¼
Krugerrand	423-426	230-232
New Sov.	99½-100½	54-54¾
Old Sov.	99½-100½	54-54¾
Noble Plat	592.45-598.25	321.45-325.15

Silver fix	p/fine oz	US cts equiv
Spot	335.05	616.50
3 months	345.60	630.45
6 months	356.65	645.15
12 months	377.50	674.00

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jan	14.58	14.48	15.00 13.95
Feb	14.55	14.42	14.90 13.96
IPE Index	14.18	12.75	

Turnover: 12179 (7498)

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	142.25	140.25	146.00 137.50
Jan	141.25	138.25	144.50 135.25
Feb	140.50	135.75	142.00 133.25
Mar	136.00	132.60	138.50 130.25
Apr	132.50	129.50	135.00 128.50
May	130.00	127.25	132.50 125.50
Jun	129.00	126.00	130.00 127.00
Jul	129.00	126.00	128.00

Turnover 19008 (13068) lots of 100 tonnes

US MARKETS

An agreement between oil producing countries over the weekend sent energy prices limit up for most of the day, reports Drexel Burnham Lambert. January crude oil reached a high of 1580 for the day. The increase in energy prices sent inflationary fears to some of the other markets. In the metals, prices rose in all the markets with platinum posting the largest gain. Copper had a less hectic day with prices climbing 130 points in March. In the softs, cocoa futures fell 31. Sugar prices rallied early in the day but profit-taking eased further rallies. Fund selling was featured in the coffee market as prices fell over 300 points in March. The grain markets were all lower in moderate trading. Commercial selling weakened the soybean market as January lost 16 1/2 cents. The meat markets were mixed with local traders dominating action. Cotton futures gained 53 in March. Computer buying along with commission houses kept prices firm for most of the day.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	423.3	420.0	424.5	424.5
Dec	423.3	420.1	426.0	422.0
Jan	425.8	422.7	428.0	428.0
Feb	427.9	424.8	431.0	426.5
Apr	433.2	430.1	436.2	431.8
Jun	438.8	435.5	441.5	437.8
Aug	444.7	441.2	0	0
Oct	450.6	446.9	451.0	451.0
Dec	466.2	462.5	459.0	455.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	586.7	571.0	593.0	581.0
Apr	584.7	570.0	591.0	580.0
Jul	585.7	570.8	589.0	582.0
Oct	588.2	573.0	589.0	585.5
Jan	582.4	577.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	611.3	608.3	0	0
Dec	611.5	609.5	622.8	608.0
Jan	617.2	615.0	625.0	620.0
Mar	627.1	624.5	636.8	623.5
May	637.5	634.5	647.5	634.0
Jul	648.5	645.1	658.0	646.0
Sep	658.9	655.1	668.0	663.0
Dec	675.0	670.5	686.0	670.0
Jan	680.1	675.4	0	0
Mar	692.1	687.0	694.0	694.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	156.80	160.10	162.50	156.80
Dec	154.80	154.60	158.50	150.80
Jan	144.30	143.60	146.00	144.50
Mar	132.30	131.00	133.70	129.90
May	121.00	118.00	122.30	119.00
Jul	116.00	111.00	115.50	112.00
Sep	112.70	109.00	113.00	109.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	14.98	13.97	15.80	14.92
Feb	14.86	13.91	14.91	14.80
Mar	14.85	13.85	14.86	14.78
Apr	14.82	13.85	14.86	14.80
May	14.85	13.85	14.85	14.86
Jun	14.85	13.85	14.85	14.85
Jul	14.85	13.85	14.85	14.85
Aug	14.85	13.85	14.85	14.85

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4825	4572	5065	4800
Jan	4730	4530	4730	4730
Feb	4610	4410	4610	4610
Mar	4395	4195	4395	4395
May	4065	3865	4065	4065
Jun	4005	3805	4005	4005

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1447	1488	1480	1439
Mar	1485	1516	1515	1492
May	1485	1514	1512	1483
Jul	1488	1510	1510	1487
Sep	1490	1515	1507	1487
Dec	1498	1500	1518	1505
Mar	1517	1538	1530	1523

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	123.18	125.29	125.90	123.00
Mar	122.51	125.84	126.40	122.50
May	122.33	124.74	125.40	122.25
Jul	121.95	124.00	124.50	121.95
Sep	121.45	122.90	123.00	121.45
Dec	120.35	121.50	120.00	120.00
Mar	117.95	120.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	10.05	9.90	10.60	10.50
Mar	10.97	10.94	11.34	10.91
May	10.65	10.66	10.98	10.57
Jul	10.45	10.46	10.80	10.40
Oct	10.28	10.28	10.57	10.23
Jan	8.90	8.75	0	0
Mar	10.00	10.00	10.40	10.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	56.23	55.70	56.25	55.40
Mar	56.23	55.70	56.25	55.36
May	56.40	55.68	56.40	55.40
Jul	56.35	55.55	56.35	55.55
Mar	55.75	55.95	55.75	55.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	166.90	167.35	167.90	166.40
Mar	165.55	166.20	166.60	165.15
May	165.65	166.00	166.30	165.25
Jul	165.70	166.35	166.90	165.35
Sep	164.00	164.60	0	0
Nov	160.75	161.25	0	0
Jan	158.75	159.25	0	0
Mar	158.75	159.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 25	Nov 24	mnth ago	yr ago
1872.7	1865.2	1896.7	1711.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	138.36	135.65	134.04	133.03
Futures	139.23	138.66	139.78	136.66

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	749/4	765/6	764/0	744/0
Mar	762/4	778/0	778/0	756/4
May	766/4	779/4	778/0	761/4
Jul	766/6	779/2	777/0	760/4
Aug	758/0	770/6	767/0	753/0
Sep	711/0	727/0	724/0	711/0
Nov	685/2	697/6	697/0	683/0
Jan	691/4	705/0	703/0	691/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.27	21.79	21.80	21.26
Jan	21.66	22.07	22.10	21.55
Mar	22.20	22.58	22.62	22.08
May	22.73	23.12	23.12	22.60
Jul	23.17	23.60	23.60	23.05
Aug	23.27	23.70	23.80	23.20
Sep	23.36	23.85	23.90	23.35
Oct	23.40	23.96	24.00	23.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	244.3	251.6	251.3	242.8
Jan	245.2	251.6	251.0	243.7
Mar	244.5	250.2	250.0	243.0
May	240.6	245.7	245.0	239.5
Jul	235.5	240.0	239.0	234.0
Aug	231.2	229.7	232.0	229.0
Sep	224.5	227.0	225.5	221.5
Oct	211.5	216.0	214.0	209.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	257/2	265/0	263/6	257/0
Mar	266/6	274/0	273/4	266/2
May	271/4	278/0	277/2	271/0
Jul	273/2	278/6	279/0	273/0
Sep	258/6	264/2	263/2	258/0
Dec	253/4	257/6	258/0	253/2
Mar	258/4	262/2	260/6	258/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	418/4	425/4	425/4	417/2
Mar	424/0	429/6	430/0	422/6
May	409/4	414/4	415/0	409/4
Jul	361/2	363/6	363/0	360/2
Sep	365/0	369/0	368/4	365/0
Dec	394/0	396/4	395/0	392/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.27	73.75	74.05	73.25
Feb	73.57	73.75	74.10	73.50
Apr	74.42	74.72	75.07	74.35
Jun	72.80	73.02	73.26	72.75
Aug	70.77	70.95	71.20	70.70
Sep	69.80	69.80	70.50	0
Oct	69.47	69.70	70.05	69.45

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	39.82	39.85	40.30	39.77
Feb	43.62	43.40	44.10	43.45
Apr	42.72	42.47	42.95	42.60
Jun	46.32	46.12	46.47	46.15
Jul	46.72	46.60	46.95	46.62
Aug	45.80	45.55	45.95	45.70
Oct	43.20	42.95	43.35	43.10
Dec	44.66	44.35	44.70	44.65

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	42.92	42.45	43.45	42.65
Mar	43.60	43.17	43.90	43.20
May	45.22	45.12	45.65	44.85
Jul	45.37	46.17	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Nervous trading session for equities

CONCERN over interest rates and currencies continued to bear down on UK equities yesterday as market analysts revised their opinions in the light of Friday's news of poor UK trade figures and 13 per cent bank base rates. Firmness in the pound cut into the blue chip exporting stocks, while the move to higher prime rates by some leading US banks, although not unexpected, renewed the London market's apprehension of further upward pressure on domestic rates.

Equities opened steadily, with institutional traders looking for a technical rally after the shakeout in the market on Friday. However, selling of the interest-rate orientated stocks began again. The market soon showed a loss of 19 FT-SE points and was challenging yet another chart support level at 1775.

Account Dealing Dates

First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Nov 14	Nov 24	Nov 25	Dec 5
Nov 28	Dec 8	Dec 9	Dec 19
Dec 12	Dec 22	Dec 23	Jan 9

*New time dealings may take place from 9.00 am two business days earlier

A rally was then staged, touched off by news that the Opec meeting had achieved agreement on prices and quotas. The rally was stemmed, however, by news of increases in prime rate by Chase Manhattan and several other US banks from 10 to 10½ per cent.

At the close, the FT-SE Index was a net 13.2 points down at 1781.5. ICI, BOC and British Aerospace were prominent in the list of blue chip losses. Seaq volume fell from Friday's 743.1m shares to 421.4m, however, indicating a lack of real selling pressure.

UK housebuilding groups, vulnerable both to higher domestic interest rates and to any setback to the housing market, were hard hit as a leading London trading house wrote the sector down. Investors looking for defensive stocks favoured the banks and composite insurance groups, where good dividend yields will be underpinned by interest rate earnings.

Analysts at the leading securities firms sounded cautious, rather than alarmed, in the wake of Friday's developments. Most agreed that UK equities could remain relatively unsupported until interest rates turn down again; but, "base rates will not fall back below 13 per cent until the strong sterling policy shows visible signs of restraining wages", commented the economics team at Shearson Lehman Hutton.

The British Steel share offer is virtually assured of the institutional support it needs, but marketmakers were yesterday lowering their expectations of the likely premium when dealings start next Monday. They expect the shares to start trading in the 65p-68p range, against the 60p partly-paid offer price.

With little UK news expected until December 23, when the next set of monthly trade figures are due, the spotlight has shifted to the US, where London fears a further tightening in Federal Reserve credit policies, especially if the US November employment data is badly received on Friday.

FINANCIAL TIMES STOCK INDICES

	Nov. 28	Nov. 25	Nov. 24	Nov. 23	Nov. 22	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.96	87.48	88.00	88.19	88.29	90.28	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.24	96.97	97.00	97.04	97.00	96.84	96.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1452.9	1462.6	1493.7	1497.4	1487.3	1250.9	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	179.4	175.7	173.3	168.0	168.0	352.0	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Nov. 28	Nov. 25	Nov. 24	Nov. 23	Nov. 22	Year Ago
Ord. Di. Yield	4.90	4.87	4.76	4.75	4.78	4.95
Earning Yld %(full)	12.30	12.20	11.94	11.90	11.98	12.23
P/E Ratio(Net)(☆)	9.85	9.93	10.14	10.15	10.09	9.99
SEAQ Bargains(5pm)	24,088	32,373	25,269	24,410	21,457	24,686
Equity Turnover(£m)†	-	1381.08	1176.41	1172.58	1259.45	811.45
Equity Bargains†	-	31,731	27,421	24,755	24,363	25,961
Shares Traded (ml)†	-	677.1	496.6	459.4	419.3	361.0

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1458.0	1458.6	1456.4	1448.4	1445.7	1445.7	1450.9	1454.1

DAY'S HIGH 1458.6 DAY'S LOW 1444.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35. Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.80 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Nov. 25	Nov. 24
Gilt Edged Bargains	128.8	96.0
Equity Bargains	205.6	177.7
Equity Value	2791.5	2377.8
5—Day average		
Gilt Edged Bargains	100.8	95.2
Equity Bargains	171.0	163.3
Equity Value	2395.0	2327.3

London Report and latest Share Index: Tel. 0898 123001

Amstrad estimates lowered

The keenest activity in the electronics sector was in Amstrad which came under sustained selling pressure during the afternoon after a series of profits downgradings from securities houses. The shares eventually closed a net 8 off at 155p after turnover of 5.7m.

Amstrad had opened on a steady note after Press reports that the group was shifting some of its manufacturing capacity from the Far East back to the UK. The group's annual meeting passed without any major excitement and it was a meeting after the agm between the company and a number of electronics analysts which caused the shares to weaken later in the day.

Management told analysts that it had experienced component shortages for video cassette recorders which had badly affected output of VCRs from its new factory in Shoeburyness. The shortfall, according to analysts, would be confined to the first half of the current year and the company said it would be back on plan for the second half. Amstrad stressed that the problem was on the supply and not on the demand side. James Capel, the company's broker, confirmed it had cut its forecast for the current year from £185m to £170m. Kleinwort Benson reduced its forecast from £190m to £175m.

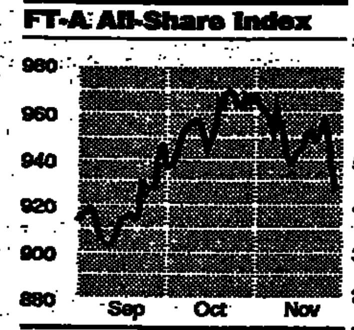
New prescription

Mr John Williams of Citicorp Scrimgeour Vickers issued a cautious recommendation to buy Boots after yesterday's news of the agreed cash offer to pay £49.8m for the loss-making Underwoods chain of chemists shops. Boots shares fell 4 to 218p xd with 2.5m shares traded, while Underwoods jumped from their opening level of 91p to close 53 better at 144p, after touching 150p. Boots is offering 150p cash for each Underwoods share, well above the 120p believed to have been proposed recently for a management buy-out.

"The acquisition will have a negligible impact on Boots during the current year," said Mr Williams. He looked forward, however, to Boots gaining next year from its plan to convert all 50 Underwoods shops in the south east into Boots outlets. Nottingham-based Boots has only 22 chemists shops in central London. It will more than double its presence in the capital with the 30 existing Underwoods shops.

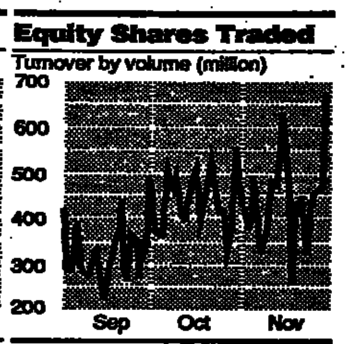
Underwoods lost £1.3m in the six months to last July. The market sees Boots as simply buying a portfolio of licenced chemist shops to expand its chain in the south east and there was comment yesterday that the deal was excellent for Underwoods.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Rolls recommended

Rolls-Royce moved in unison with the wider market and a parcel of 5m shares changed hands late at 124p. The reaction was in spite of a recommendation to buy from Kitcat and Aitken, which sees the 7½ times earnings rating as "unjustifiably low".

Examining the recent Rolls-Royce acquisition of a 4.7 per cent holding in NEI, and the possibility of an agreed bid, Kitcat and Aitken thinks Rolls-Royce will probably restrict co-operation with the heavy engineering company to its chosen area of small power generation plants.

The brokers add: "We do not believe the chairman of Rolls (Sir Francis Tombs), with his extensive knowledge of the power generation industry will embark upon a full bid unless he can clearly demonstrate no earnings dilution after say 2 years".

International stocks shared in the afternoon rally, but still recorded another day of poor performance against a background of a continuing lack of institutional buying. ICI had the day's most significant fall, ending 23 lower at 965p in turnover of 3.4m shares. Dealers blamed general weakness among export-led companies as well as worries about the sterling/Dmark exchange rate, but several analysts were keen to point out that once again ICI has fallen to levels where it is fundamentally cheap and there was some talk of long positions in the market.

Pharmaceutical issues were weak, with Glaxo down 6 at 1056p, after 1048p, Wellcome down another 11 at 438p amid talk that AIDS is spreading more slowly.

Elsewhere, Hanson sprang to life, gaining 2½ to 152p in heavy turnover of 16m shares. News that it has increased its borrowing capacity and is seeking a share buy-in programme was seen as positive by analysts. Mr Bruce Jones of Kitcat & Aitken commented: "Hanson is now the defensive play par excellence and is the prime stock in the conglomerate sector. It has the capability to make a huge acquisition when it judges the market to be right. We rate it very much a buy."

BET announced results which were somewhat better than expected and the shares eased just 2 to 220p. Earnings growth of 14 per cent in the first half was well received and analysts pointed out BET stands on a P/E discount and a yield premium, "making it a very sound, if rather unexciting investment".

British Aerospace had another bad day, falling 15 to 428p. The market is worried about the company's ability to withstand the pressures of a weak dollar. Currency worries also helped prompt a fall in English China Clays, down 20 to 452p, while Davy Corporation was down 11½ to 166p xd as expectations of a bid faded.

The oil and gas sector had an up and down session amid worries over the OPEC ministerial meeting in Vienna. Share prices dipped early on, when it seemed there was a deadlock in the talks over output and prices as Saudi Arabia called for a commitment to the previous OPEC base level of $18 a barrel.

But there was an eventual ratification of the new agreement and share prices picked up to end an erratic day with only minor losses on balance.

The big four banks performed extremely well, according to dealers, given the overall market trend. "A clear demonstration of the sector's defensive qualities during a period of high interest rates", one trader commented.

Although well off the top, the clearers managed to close with only minor price changes – Barclays was a fraction better at 413p and Midland 2 up at 411½p – but turnover remained at minimal levels.

The Scottish banks drew further good support. Royal Bank of Scotland jumped 6 more to 367p, on turnover of 1m, with buyers continuing to chase the stock ahead of Thursday's preliminary figures, which Warburg Securities and SBCI Savory Milln forecast should come out around the £300m mark. But Hoare Govett is forecasting a bottom-of-the-range £278m. Bank of Scotland added 5 at 357p.

Expectations that the Bond Corporation stake (31 per cent) in insurance broking house Dewey Warren could well be sold off this week triggered a further bout of buying interest in the latter which jumped 13 to 133p, after 134p. The speculation also filtered through into Morgan Grenfell, where Dewey holds a near-5 per cent stake and Bond Corporation a direct stake of some 3 per cent, which added 5 at 297p.

There was no real selling pressure in life assurance, dealers said, and the composites bucked the overall trend with buyers said to be keen on the exceptionally high yields available at current levels. Guardian Royal Exchange put on 2 ¼ more at 179p on turnover of 1.7m and Royal 3 to 367p.

Allied Lyons moved ahead against the trend, rising 5 to 466p in turnover of 2.3m shares. Allied reports interim results today, with the range of profit forecasts set at £220m to £230m. Kleinwort Benson is going for £225m.

There was no let up in the pressure exerted on the building and construction sectors, which continued to suffer from the effects of last week's interest rate rise. All the leaders were heavily sold, "and there was little or no sign of any significant support," one dealer said.

In the Stores sector, Storehouse fell just 2 to 219p in good turnover of 8.5m, following last week's extraordinary activity. Dealers had little new to report. Gus "A" shares dropped below the £10 level and closed down 8 at 997p, while Burton lost 3 to 179p in trade which included a late deal of 1.8m at 176p. Lloyds Chemists perked up on news of the Boots bid for Underwoods and rose 5 to 149p.

STC made good progress, closing 6¼ up at 265p on turnover of 3.1m after reports that the group may not be inclined to launch a counter offer for Plessey. The latter dipped 2 to 214½p.

Ferranti, scheduled to reveal interim profits on Thursday – Kleinwort Benson goes for £38.2m pre-tax, Hoare Govett £38m and Warburg Securities £40m – edged up to 98p on turnover of almost 4m.

Unigate ended down 7 at 283p as the shares went ex-dividend, while Ranks Hovis McDougall, also ex-dividend, was down a similar amount at 353p. Tate & Lyle rose 7 to 845p in a thin market ahead of Thursday's figures.

Brent Walker was the feature in an otherwise dull Leisure sector. The shares moved sharply back after the announcement of the purchase of Lonrho's European drinks business for £180m, but rallied slightly from a low of 332p to close down 20 at 334p.

Mr Nigel Reed, sector analyst at Kitcat & Aitken, said: "At first sight the deal seemed ridiculously expensive, but we need to wait for full details to confirm that after qualification it could be very good for Brent Walker. He pointed out that the management should be given the benefit of its undoubted deal-making ability and suggested buying the shares on weakness if the official documents confirm the details.

T Cowie, inflated by bid speculation recently, reacted in light trading to close 8 down at 132p while Jessups lost a similar amount at 160p.

One of the sectors hit most on Friday by yet another rise in borrowing costs, Properties refused to cede fresh ground. Some current situation or speculative issues even recovered, with the emphahsis on Hammerson "A", 10 higher at 872p, and Great Portland Estates, 8 up at 371p. The leaders tended to consolidate at the lower levels.

Increased interim profit statements brought contrasting reactions in Property Partnerships, 5 off at 325p, and Sheraton Securities, 2 better at 78p, the latter after unveiling more than doubled revenue.

The weekend fire-bomb attacks on five offices of London estate agents added to the sector's troubles, triggering nervous selling of Connells, down 14 at 215p, and Baker Harris Saunders, 12 lower at 203p.

Courtaulds' offer for the shares not already-owned in Australian group Tauber Industries failed to lift investors' spirits and the close was a new low for the year of 261p xd. Other Textiles also traded uncertaintly with Dawson International losing 5¼ to 197p and Readicut 2¼ to 64p awaiting their first-half results, due today.

Nordic Investment Trust rose 6 to 66p following the recommended offer from F & C Eurotrust, 4 easier at 223p, but M&G slithered nearer the 1988 low point, closing 11 down at 272p.

The Lonrho "financial analysis" of Mr Alan Bond's group of companies and the sale yesterday of its wine and spirits interests, including Whyte & Mackay whisky, to Brent Walker found the market in unreceptive mood. Only 2.1m shares changed hands and Lonrho shares drifted consistently lower to end 10 down at 379p.

Activity in Traded options continued to run at a high level, with overall business reaching 47,524 contracts, made up of 24,079 calls and 23,445 puts, with a heavy share again taken by dealings in the FT-SE 100 index - which touched 11,524 matched contracts, consisting of 3,008 calls and 8,516 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,300	142½	-1
Abbey Life	2,400	282	+½
Allied-Lyons	2,300	466	+5
Amstrad	5,700	155	-8
Argyll Group	1,200	161	-1
Ass. Brit. Foods	395	511	-2
BAA	358	266	-1
BAT	1,900	434	-3
BET	1,000	220	-2
BICC	619	384	
BOC	1,300	397½	-5
BPB Inds.	1,100	237	-6
BTR	3,273	285	-1
Barclays	1,200	413	+1
Bass	397	776	-4
Beazer	1,300	167	-2½
Beecham	1,400	452½	
Blue Arrow	1,800	91½	-1
Blue Circle	1,100	427	-1
Boots	2,500	218	-4
British Airways	5,349	154	-½
Brit. Aerospace	3,300	428	-15
Brit & Comm.	494	229	+1
British Gas	6,400	154½	
British Land	1,000	358	-3
BP	6,100	246	-1½
British Telecom	2,200	252½	+½
Burmah Oil	416	498	-7
Burton	3,100	179	-3
Cable & Wireless	2,200	357	+1
Cadbury Schweppes	1,700	339	-3
Coats Viyella	3,900	168½	-4

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	1,000	321	-½
Cons. Gold Fields	192	£11⅛	
Cookson	715	252	-8
Courtaulds	2,000	261	-4½
Dalgety	1,100	383	-4
Dixons	2,500	144	-1
Eng. China Clays	2,000	452	-20
Enterprise Oil	1,050	581	-5
FKI Babcock	1,600	129	-1½
Fisons	1,100	234	-6
Gateway Corp.	1,800	158	
General Accident	820	814	
General Elect.	4,200	172	
Glaxo	1,500	£10½	[illegible]
Globe Inv.	450	130½	-1½
Glynwed Int.	822	273	-4
Granada	1,200	320	-2
Grand Met.	1,000	446	-1
GUS A	186	997	-9½
GRE	1,700	178½	+2
GKN	639	312	-5
Guinness	1,900	329	-1
Hammerson 'A'	529	872	+10
Hanson	16,000	152	+2½
Harrisons & Cros.	108	668	-7
Hawker Siddeley	679	527	-7
Hillsdown Hldgs.	796	259	
IMI	1,100	195½	-3½
Imp. Chem.	3,385	965	-23
Inchcape	925	206	-2
Jaguar	1,100	266	-3

Stock	Volume 000's	Closing Price	Day's change
Ladbroke	646	499	-3
Land Securities	900	579	-10
Laporte	462	381	-2½
Legal & General	869	281	-1
Lloyds Bank	1,100	321½	-1
LASMO	666	465	-4
Lonrho	2,100	379	-10
Lucas	462	563	-4
MB Group	1,340	344	-1
MEPC	1,100	559	-3½
Marks & Spencer	3,000	149	-1½
Maxwell Comm.	286	188	
Midland Bank	226	411½	+2
Nat. West. Bank	1,059	538	-2
Next	1,000	156	-5
Northern Foods	167	276	-1
Pearson	242	669	-10
Pearl	294	483	-1
P & O	1,200	555	-5
Pilkington	1,400	213	-3
Plessey	1,400	214½	-2
Prudential	928	147	-1
Racal	3,100	260	-6
Rank Org.	588	765	-11
RMC	1,300	488	-14
RHM	658	363	+½
Reckitt & Colman	168	989	-5
Redland	665	488	-10
Reed International	477	384	-3
Reuters "B"	431	455	-5
RTZ	652	440	-4
Rolls Royce	7,000	128	-2

Stock	Volume 000's	Closing Price	Day's change
Rothmans	347	440	-4½
Royal Bk. of Scotland	1,000	367	+6
Royal Insurance	380	366	+2
STC	3,100	265	+6¼
Saatchi & Saatchi	181	337	-2½
Sainsbury	773	203½	
Scott & Newcastle	223	393	+1½
Sears	2,500	124	-1½
Shell Transport	2,100	985	-7
Siebe	487	321	
Slough Ests	212	315	-4
Smith & Nephew	1,400	116½	-1
Standard Chart.	355	470	-1
Storehouse	8,500	219	-2
Sun Alliance	346	963	-6
T&N	391	174	-1
TSB	4,500	108	+½
Tarmac	3,675	223	-9
Tate & Lyle	211	845	+7
Tesco	3,900	132	
THORN EMI	1,200	644	-5
Trafalgar House	5,000	359	-4½
Trusthouse Forte	3,200	259	-3½
Ultramar	1,000	250	-4
Unilever	1,000	442	-4
United Biscuits	1,700	285	-3½
Utd. Newspapers	183	386	-5
Wellcome	350	438	-11
Whitbread 'A'	446	286	-2
Williams Hldgs.	636	240½	-4½
Wimpey	1,700	234	-9
Woolworth Hldgs.	750	253	-8

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (14).

BRITISH FUNDS (2) Treas. 2½pc IL '03, Do. 2½pc IL '09, BANKS (1) TSB Channel Islands, BREWERS (1) Highland Dists., BUILDINGS (1) Poohins, ENGINEERING (1) Booth Inds., INDUSTRIALS (4) Elcco, Eurotunnel Units, Nu-Swift, Redfearn, LEISURE (1) Virgin Grp., NEWSPAPERS (1) Assoc. News, PROPERTY (1) Randsworth Tst., SHIPPING (1) Bergesen d-y AS 'A'.

NEW LOWS (162).

BRITISH FUNDS (26) LOANS (4) 3I 11¾pc '90, Do. 12½pc Un. Ln. '92, Do. 7¾pc A '91-'94, Do. 8pc A '91-'94, AMERICANS (4) Cont. Illinois Hldgs., Eaton Corp., Home Grp., TRW Inc., BUILDINGS (7) CHEMICALS (5) Astra Hldgs., Cambridge Isotope Labs., Coates Bros., Engelhard, Hercules Inc., STORES (12) ELECTRICALS (7) ENGINEERING (4) C.I., Cauldon Grp., Habit Precision, Meggitt, FOODS (8) Acatos & Hutcheson, Banks (S.C.), Budgens, Global Grp., Hughes Food, Hunter Saphir, INDUSTRIALS (36) Baxter Int'l., Bluebird Toys, Brierley Invs., China Light, Copymore, Dover Corp., Harding, Hartons 7pc Pf., Hewitt, Jackson Bourne, J.S. Pathology, Keep Tst., Myson Grp., NMW Comp., Norcros, Pathfinders Grp., Pergamon AGB, Quotient, Reed Exec., SAC Int'l., Tamaris, Tomkins (FH) 5.5pc Cv. Pf., Walker Greenbank, Whittington, Williams Hldgs. 5⅝pc Cv. Pf., YRM, INSURANCE (4) Amer. Int'l. Grp., London Utd., NZI Corp., Prudential, LEISURE (1) Williams (R.), MOTORS (1) Spice, NEWSPAPERS (1) Barbour Index, PAPERS (11) PROPERTY (8) SHOES (1) Headlam Sims, TEXTILES (2) Drummond, Text'rd.Jrsy., TRUSTS (7) OILS (5) Century, Floyd Energy, LASMO 9¾pc Cm. Pf., Monarch Pet., Southwest, PLANTATIONS (1) Moran, MINES (5) Egoli Cons., Jason Mining, Mawson Pac., Geevor, Highwood Res., THIRD MARKET (1) Cupid.

APPOINTMENTS

Changes at W.H.Smith

■ W.H. SMITH has made the following changes. Mr John Hancock, W.H. Smith Do It All's deputy managing director, has been appointed chief operating officer of W.H. Smith Canada. Mr Alan Giles, general manager books and news W.H. Smith Retail, becomes retail director of Do It All from March 1. He is succeeded by Mr Laurence James. Mr Nigel Kenyon Jones has joined Do It All as marketing director. He was with the Grand Metropolitan Group where he was marketing director, Holsten Distributors. Mr Steven Bradshaw has been appointed operations director, he was divisional manager, south. Mr Chris Springall, previously general manager, buying, is promoted to director of buying.

■ Mr Mike Horton has joined WYNCOTE DEVELOPMENTS. He was project director of Security Pacific Eurofinance.

■ Mr Glyn Ridley has been appointed a director of BROOKE TOOL ENGINEERING (HOLDINGS). He is managing director of two subsidiaries, Cardinal Broach Co., and Cardinal Tap & Die Co.

■ Mr Robin Stewart has been appointed a non-executive director of BRAMMER. He was a partner with Deloitte Haskins & Sells and is a non-executive director of Ross Catherall Group.

Mr Iain Houston (above) joins CHARTERHOUSE BANK as a director on December 1, to market treasury and capital markets services. He was group treasurer of Johnson Matthey.

■ Mr Paul Vickers has been appointed company secretary at TV-am. He replaces Ms Penelope Hughes, who continues as a consultant.

■ COLONIAL MUTUAL GROUP has appointed Mr Gary Collier as pensions marketing manager. He was with Target Life as product development manager.

■ Mr Bill Billinness has joined QUADRATRON as sales and marketing director for Q-Office.

British Alcan managing director

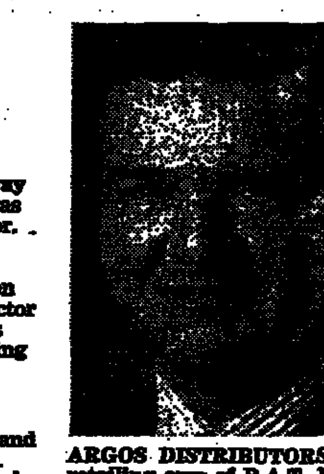
■ BRITISH ALCAN has appointed Mr Roger Hadaway as managing director. He was sales and marketing director. Mr Colin Dawe, previously managing director for consumer products, has been promoted to managing director of stockholders division. Ms Eva Wiles becomes marketing director.

■ FULTON PREBON (CAPITAL MARKETS) has appointed Mr Colin Taylor and Mr Gary Boom as directors. Mr Taylor is on the UK board of the Fulton Prebon companies and Mr Boom is promoted from assistant director. The company is a member of International City Holdings.

■ Mr Brian Hill has been appointed financial director of the energy engineering division of MEGGITT HOLDINGS. He was group accountant.

■ Mr Kaneo Suzuki has been appointed managing director of NEC (UK), Acton. He succeeds Mr Hideichi Nose, who returns to Tokyo as vice president for the Middle East and Africa.

■ Mr William M. Wilson, executive vice-president and director of Alexander & Alexander Services Inc., New York, has been appointed chairman of ALEXANDER & ALEXANDER EUROPE, based in London.



ARGOS DISTRIBUTORS, UK retailing arm of B.A.T. Industries, has appointed Mr Keith Beattie as personnel director. He was group personnel director with the Harris Queensway Group.

■ PERSIMMON, York, has appointed Mr Paul Bell as technical director of Persimmon Homes (North West) and Mr Michael Savage has been appointed construction director of Persimmon Homes (South East).

■ MONRO HORTICULTURE, part of the Kenneth Wilson Group, has appointed Dr Martin Peulevé as commercial director. he was a divisional director of BritAg Industries.

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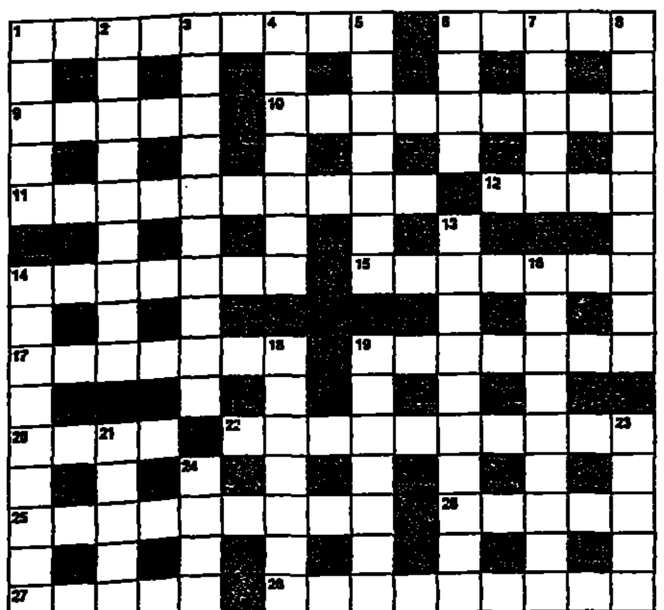
AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,798 Set by FRESCA



ACROSS

1 A comical *turn* – Henry carrying post? (4,5)
6 Despondency and gravity appear magnified (5)
9 Grand little pig's utterance? (5)
10 A C-string, one attached to wind instrument? (9)
11 Could be alien in spirit for one who entertains with a smile (6,4)
12 Back-stage favourites? (4)
14 Complex ring wrong side up (7)
15 Woolly material producing the poorest paper? (7)
17 Last letter from pirate town an act of mortification (7)
19 Everybody passed outside and used 16 (7)
20 Uncommon regiments (4)
22 Gaol-breaker's quick look back at royal player (10)
25 Present Conservative collection (9)
26 "When fishes flew and forests walked and figs grew upon —" (Chesterton) (5)
27 Cashier about to board English plane (5)
28 Tyrolean singers get Rosy to take a trip across valley with sweetheart (9)

DOWN

1 Giant – mother to another (5)
2 Dinosaur dung collected by a college authority (9)
3 Dropping off a little at a time (10)
4 Father's *twinges* about hooligans abroad (7)
5 Lowly writer's saying that cuts (7)
6 Circle of grey characters (4)
7 Girl quick to love (5)
8 Crazy about Sidney, crazy – yet having lots of interests besides (4-5)
13 Decorative handle, extremely nondescript, though encased in gold and aluminium (10)
14 Misguidedly oppose run deliberately (2,7)
16 The heartless kind of help given by single line of communication (9)
18 Form of money required to cover firm's management of resources (7)
19 Held up action involving non-professional (7)
21 A means to take life, possibly (5)
23 Regrets about the middle of one's old letters (5)
24 Worry about guitar part (4)

Solution to Puzzle No.6,797

GANTRY CONVERSE
A I O S L O I D
LINEOUT EXCUSED
O E M R A I E I
SAPS PIANOFORTE
H E I P D E D
ERNEST BEARING
S C L C R O A S
SENATOR TURRET
H N N W S C E
EXPEDITION VIEW
C E R R O C S A
TOCCATA DRESSER
I A C C S L U D
CONTENTS CLASPS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	322.2	326.3xd	345.3	-6.9	3.23
Equity Acc	5	418.6	424.0	448.7	-8.2	3.23
Fixed Int Dist	5	113.1	114.6xd	118.8	-0.8	8.55
Fixed Int Acc	5	208.5	211.4	219.1	-1.4	8.55
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	6	91.73	92.51	98.42		2.15
Do Accum	6	98.46	99.29	105.65		2.15
TSB Brit Growth	6	54.33	54.33	57.80		3.33
Do Accum	6	56.85	56.85	60.48		3.33
TSB European	6	51.91	52.56	55.91		1.12
Do Accum	6	53.32	53.98	57.43		1.12
TSB Extra Income	6	146.62	149.87	159.44		5.81
Do Accum	6	189.25	193.46	205.81		5.81
TSB Smaller Cos	6	53.38	53.38	56.79		1.56
Do Accum	6	54.33	54.33	57.80		1.56
TSB General	6	177.36	177.36	188.68		3.44
Do Accum	6	307.01	307.01	326.61		3.44
TSB Premier Income	5	47.24	47.69xd	49.68		8.91
Do Accum	5	72.51	73.21xd	76.26		8.91
TSB Income	6	268.35	272.46	289.85		4.92
Do Accum	6	448.55	455.42	484.49		4.92
TSB Pacific	6	210.18	213.37	226.99		0.44
Do Accum	6	218.52	221.85	236.01		0.44
TSB International	6	318.72	318.72xd	339.06		0.88
Do Accum	6	402.74	402.74xd	428.45		0.88
TSB Nat Resources	6	58.36	59.65xd	63.46		1.39
Do Accum	6	61.87	63.23xd	67.27		1.39
TSB Slctd Opps	6	79.41	79.41	84.48		2.74
Do Accum	6	90.67	90.67	96.46		2.74
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 07-379 0860						
American Eagle	5	58.34	58.34	62.36	+0.55	1.95
Australia	5	7.203	7.203	7.715	[illegible]	3.10
Commodity	5	73.23	73.23xd	79.07	+0.19	0.63
Convertible	5	141.1	141.1xd	152.8	-	5.85
Equity	5	149.8	149.8	161.4	-0.5	3.24
Euro Spec Sits	5	80.95	80.95	86.87	-0.38	1.57
Financial	5	29.74	29.74	32.09	+0.01	2.12

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Property Oct 31	211.95		—	5.79
Equity Oct 31	714.70		—	3.98
Fxd Int.Sec Oct 31	100.70		—	9.98
* Available only to Local Authorities				
MIM Ltd				
Mngd Pens (Acc)	54.5	57.9	-0.9	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Nov 23	36.3	37.7	—	2.49
Euro Expt Nov 23	41.2	43.2	—	2.52
Fixed Int Ex Nov 23	49.5	51.8	—	9.69
Japan Expt Nov 23	57.3	59.6xd	—	0.58
Managed Ex Nov 24	38.5	40.0xd	—	4.75
SE Asia Expt Nov 23	33.7	35.3	—	2.12
Sm Cos Expt Nov 23	43.6	45.7xd	—	2.81
UK Eqty Ex Nov 23	35.5	37.2	—	4.44
New Court Property Fund Managers				
NC Property	191.6	204.3	—	-
Phillips & Drew Fund Management Ltd				
PDFM Small Co's Nov 1	815.0	867.0	—	3.05
Do Accum	842.0	889.0	—	3.05
PDFM Int Expt Nov 24	120.7	122.9	—	2.60
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.66	94.73xd	—	2.92

INSURANCES

AA Friendly Society

Investment Mngt M & G for Mngt Ltd

AA Friendly Sy Nov 11 — 143.4 — -

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Legal & General (Unit Assur) Ltd				
2 Montefiore Road, Hove, BN5 1SE 0273 724588				
British Opportunities	97.1	102.3	-1.5	-
Do. Accum	100.0	105.3	-1.7	-
Buildg. Soc. Linked	110.1	115.9	—	-
Do. Accum	125.0	131.6	+0.1	-
Cash Initial	135.2	142.4	—	-
Do Accum	193.3	203.5	+0.2	-
Equity Initial	410.3	431.9	-6.5	-
Do. Accum	586.3	617.2	-9.2	-
European Initial	104.7	110.3	-1.0	-
Do. Accum	115.7	121.8	-1.2	-
Far Eastern	214.9	226.3	-4.3	-
Do. Accum	237.6	250.2	-4.7	-
Fixed Initial	257.3	270.9	-2.0	-
Do Accum	367.7	387.1	-2.7	-
Index Linked Gilt	101.8	107.2	-1.4	-

	Bid Price	Offer Price	+ or -	Yield Gross
Merchant Investors Assurance Co Ltd – Contd.				
MI Frnm Conv & Gilt	141.6		-0.3	-
MI Frnm European	122.1		-0.1	-
MI Frnm Amer T'ngy	82.4		-0.1	-
MI Frnm Financial	94.3		-	-
MI Frnm Extra Inc	98.2		-	-
MI Frnm Smllr Co.	96.1		-0.5	-
MI GAR American	183.7		-0.1	-
MI GAR European	136.2		-1.1	-
MI GAR Far Eastern	157.2		-2.0	-
MI GAR British	137.3		-3.1	-
MI GAR Global	123.9		-3.2	-
MI GAR Special Sits	125.3		-1.8	-
MI GAR Smaller Co's	163.3		-2.4	-
MI GAR Australian	67.2		-2.6	-
MI GAR Gold Share	91.1		-1.4	-
MI GAR Int Sel Opps	88.1		-0.2	-

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Continued on next page

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Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986
NUAM Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	35.4	36.2	-0.7	–
Stock Market Mngd Fund	39.8	38.4	-0.9	–
Equity Fund	54.4	57.3	-1.0	–
International Fund	47.6	50.1	-0.7	–
European Fund	48.7	51.3	-0.9	–
North American Fund	47.3	49.5	-0.3	–
Pacific Fund	60.1	63.3	-1.1	–
Property Fund	68.5	72.1	–	–
Fixed Interest Fund	51.8	54.5	-0.4	–
Index Linked Sec Fund	53.2	56.0	-0.1	–
Deposit Fund	55.0	57.9	+0.1	–
NUAM Retirement Plans				
Mixed Fund	57.4	60.4	-0.7	–
UK Ordinary Share Fd	63.8	67.1	-1.4	–
International Fund	49.8	52.5	-0.1	–
Property Fund	65.7	69.2	–	–
Fixed Interest Fund	56.6	59.6	-0.4	–
Index Linked Sec Fund	54.7	57.6	–	–
Deposit Fund	59.2	62.3	–	–
NUAM (NUF)				
Managed Fund	745.4	784.7	-9.5	–
Equity Fund	1474.6	1552.3	-23.3	–
Property Fund	431.5	454.3	+0.1	–
Fixed Interest Fund	386.3	406.7	-2.6	–
Deposit Fund	224.9	236.8	+0.1	–
International Fund	125.0	131.6	-2.0	–
Index Linked Sec Fund	53.9	56.8	-0.1	–

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200
Unitised Pensions

	Bid Price	Offer Price	+ or -	Yield Gross
With Profits Fd	108.55	114.25	+0.13	–
Managed Fd	115.90	122.01	-1.38	–
UK Equity Fd	118.03	124.24	-2.45	–
International Fd	118.34	124.59	-0.43	–
European Fd	113.08	119.04	+0.13	–
North American Fd	106.56	112.17	+0.03	–
Pacific Fd	118.69	124.93	+0.44	–
Property Fd	119.56	125.85	+0.01	–
Fixed Int Fd	100.27	105.55	-0.71	–
Intl Bond Fd	103.12	108.55	-0.98	–
Bldg Sec Dep Fd	103.41	108.85	+0.03	–
Pensionmaster & Unit-Linked Plan				
Fixed Interest Fund	284.5	299.5	-1.4	–
Index-Linked Sec Fund	155.5	163.7	[illegible]	–

Providence Capital Life Assc. Co Ltd – Contd.
Broker Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Towerhill Mngd Fd Acc	45.0	47.4	-1.1	–
High Performance	60.7	64.0	-0.2	–
YRA Executive Fd	76.2	80.3	-0.8	–
Investment Master		36.2	-0.2	–
N F Speculator Fd		110.3	-2.1	–
£ High Inc Money Fd		103.4	+0.1	–
£ Global Growth Fd		103.4	+0.1	–
PEP Acorn II		101.4	-0.5	–
AAFS Int Man Fund		99.1	-1.4	–
Individual Pension Funds				
UK Equity Acc	200.5	211.5	-5.2	–
UK Fixed Interest Acc	164.1	173.2	+0.2	–
Intl Equities Acc	163.1	172.1	....	–
UK Managed Acc	149.2	157.3	-1.9	–
Property Acc	188.1	198.5	-1.2	–
Money Acc	115.8	122.2	+0.1	–
Special Market Acc	127.0	134.0	+0.6	–
Japan Equity Acc	220.5	232.7	-5.3	–
North American Acc	98.7	104.2	-1.0	–
Pacific Acc	130.9	138.1	-1.3	–
Technology Acc	131.8	139.1	-0.7	–
Natural Resources Acc	89.4	94.4	+0.6	–
European Acc	86.0	90.8	-1.7	–
Residential Prop Acc	122.0	128.7	-2.0	–
Swiss Equities Acc	31.0	32.8	-0.6	–
Hong Kong Acc	41.7	44.0	-0.7	–
UK High Inc Eqs Acc	63.6	67.1	-1.8	–
Int Fixed Interest Acc	50.9	53.7	....	–
Int Managed Acc	46.9	49.4	-0.1	–
Broker Fund				
Towerhill Mgd Pen Acc	37.7	39.7	-1.1	–
Group Pension Funds				
Equity Acc	596.1	614.6	-7.0	–
Fixed Interest Acc	456.0	470.2	....	–
Managed Acc	101.6	103.6	-1.0	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund	892.0	936.6	-16.2	–
Equity Fund	197.7	207.6	-5.2	–
International Fd	129.5	136.0	+1.1	–
Fixed Interest Fd	150.9	158.4	-1.5	–
Property Fund	196.3	206.1	....	–
Index-Linked Fund	131.6	138.2	-0.5	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	99	Treas 11½pc 1989	99	-	11.55	12.70
101	98	Treas 9½pc Cnv 1989	98	-	9.61	12.47
97	95	Treas 3pc 1989	96	-	3.10	10.46
102	99	Treas 10½pc 1989	99	-	10.60	12.43
102	98	Exch. 10pc 1989	98	-	10.17	12.54
103	98	Exch 11pc 1989	98	-	11.12	12.34
97	94	Treas 5pc 1986-89	95	-	5.25	10.77
104	98	Exch 10¼pcCv '89	99	.....	10.38	11.68
107½	101	Treas 13pc 1990‡‡	101	-	12.85	11.76
104	99	Exch 11pc 1990‡‡	99	-	11.10	11.72
107	100	Exch. 12½pc 1990	100	-	12.39	11.79
93	90	Treas. 3pc 1990	90	-	3.31	10.07
99	95	Treas 8¼pc 1987-90‡‡	95	-	8.64	11.57
102	95	Treas. 8pc Cv 1990 ‡‡	96	-	8.25	10.07
103	97	Treas. 10pcCv 1990	97	-	10.27	11.56
91	87	Exch 2½pc 1990	87	-	2.85	9.50
107	100	Treas 11¾pc 1991	100	-	11.71	11.54
95	89	Funding 5¾pc '87-91‡‡	89	-	6.39	10.70
90	86	Treas. 3pc 1991	86	-	3.48	9.44
105	98	Treas 10pc Cv '91 ‡‡	98	-	10.15	10.66
107	99	Exch. 11pc 1991	99	-	11.05	11.20
98	91	Treas. 8pc 1991	91	-	8.70	11.21
113	104	Treas 12¾pc 1992‡‡	104	-	12.21	11.01
104	97	Treas 10pc 1992	97	-	10.29	11.04
98	91	Treas. 8pc 1992 ‡‡	91	-	8.73	11.03
106	98	Treas 10½pc Cv 1992‡‡	98	-	10.66	11.03
86	82	Treas. 3pc 1992	82	-	3.63	8.85
112	103	Exch. 12¼pc '92	103	-	11.84	11.06
117	107	Exch 13½pc 1992	107	-	12.56	11.03
97	91	Treas 8¼pc 1993	91	-	9.05	10.89
105	97	Treas 10pc 1993‡‡	97	-	10.26	10.74
115	105	Treas 12½pc 1993‡‡	105	-	11.80	10.81
93	85	Funding 6pc 1993‡‡	85	-	7.00	9.78
121	111	Treas 13¾pc 1993‡‡	111	-	12.39	10.84
		Five to Fifteen Years				
101	90	Treas. 8½pc 1994	90	-	9.34	10.81
94	90	Treas 8½pc 1994 A	90	-	9.34	10.81
125	114	Treas 14½pc 1994‡‡	114	-	12.64	10.75
120	110	Exch 13½pc 1994	110½	-	12.21	10.86
105	97	Treas. 10pc Ln. 1994‡‡	97	-	10.27	10.63
116	106	Exch. 12½pc 1994	106	-	11.70	10.84
101	93	Treas 9pc 1994‡‡	93	-	9.64	10.53
114	105	Treas 12pc 1995	105	-	11.39	10.77
83½	78	Exch 3pc Gas 90-95	80	-	3.75	6.91
106	98	Exch. 10¼pc 1995	98	-	10.43	10.61
120	110	Treas 12¾pc 1995‡‡	110	-	11.54	10.59
126	116	Treas. 14pc '96	116	-	12.08	10.73
101	93	Treas. 9pc 1992-96‡‡	94	-	9.61	10.25
133	123	Treas 15¼pc 1996‡‡	123	-	12.33	10.65
123	113	Exch 13¼pc 1996‡‡	113	-	11.66	10.56
105	97	Conversion 10pc 1996	97	-	10.24	10.44
124	114	Treas 13¼pc 1997‡‡	114	-	11.56	10.50
108	100	Exch 10½pc 1997	100	-	10.46	10.42
98	91	Treas 8¾pc 1997‡‡	91	-	9.56	10.23
134	124	Exch 15pc 1997	124	-	12.01	10.60
104	96	Exch. 9¾pc 1998	96	-	10.10	10.33
87	81	Treas 6¾pc 1995-98‡‡	81	-	8.28	9.80
140	130	Treas. 15½pc '98‡‡	130	-	11.87	10.44
118	109	Exch. 12pc 1998	109	-	10.91	10.36
103	95	Treas 9½pc 1999‡‡	96	-	9.83	10.02
120	111	Exch. 12¼pc 1999	111	-	10.94	10.33
109	101	Treas. 10½pc 1999	102	-	10.30	10.19
107	99	Conversion 10¼pc 1999	100	-	10.20	10.17
100	86	Treas. 8½pc Ln 2000‡‡	90	-	9.42	9.96
99	92	Conversion 9pc 2000‡‡	93½	-	9.62	9.95
126	117	Treas. 13pc 2000	117	-	11.02	10.30
106	98	Treas 10pc 2001	99	-	10.02	10.01
129	120	Treas. 14pc '98-01	120	-	11.62	10.54
104	97	Conversion 9¾pc 2001	98	-½	9.91	9.97
118	109	Exch. 12pc '99-02	109	-	10.91	10.37
107	99	Conversion 10pc 2002	100	-½	9.92	9.88
105	97	Treas 9¾pc 2002	99	-½	9.83	9.84
99	92	Exch. 9pc 2002	93	-½	9.57	9.78
131	122	Treas. 13¾pc 2000-03	122	-	11.21	10.34
108	100¼	Treas 10pc 2003	101	-	9.80	9.74
		Over Fifteen Years				
117	108	Treas. 11½pc 2001-04	109	-	10.50	10.12
108	100	Treas. 10pc 2004	102	-	9.74	9.67
61	54	Funding 3½pc '99-04	58	-	6.00	8.32
104	97	Conversion 9½pc 2004	99	-	9.56	9.57
104	97	Conversion 9½pc 2005	99½	-	9.53	9.53
113	105	Exch. 10½pc 2005	107	-	9.72	9.52
128	118	Treas. 12½pc 2003-05	120	-½	10.35	9.82
92	85	Treas. 8pc 2002-06‡‡	87	-	9.10	9.41
106	99	Conversion 9¾pc 2006	102	-	9.49	9.43
121	112	Treas. 11¾pc 2003-07	114	-	10.26	9.81
97	89	Treas 8½pc 2007 ‡‡	93	-	9.11	9.25
137	127	Treas. 13½pc '04-08	129½	-½	10.41	9.72
101	94	Treas. 9pc 2008 ‡‡	98	-	9.16	9.19
92	85	Treas 8pc 2009	89	-	8.95	9.15
101	93¼	Conv 9pc Ln 2011 ‡‡	99	.....	9.06	9.06
68	62¼	Treas. 5½pc 2008-12‡‡	67	-	8.18	8.81
89¼	82	Treas. 7¾pc 2012-15‡‡	87	-	8.84	8.97
131	121	Exch. 12pc '13-'17	128	-	9.31	9.06

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		Undated				
44	41	Consols 4pc	44	-	9.08	-
40	37	War Loan 3½pc‡‡	39	-	8.85	-
62	48	Conv. 3½pc '61 Aft.	61	+	5.69	-
33	30	Treas. 3pc '66 Aft.	32	-	9.18	-
28	26	Consols 2½pc	27	.....	9.09	-
28	26	Treas. 2½pc	27½	-	9.09	-
		Index-Linked				
		(b)			**(1)**	**(2)**
124	117½	Treas 2pc IL '90(84.6)	123	-	1.40	3.75
105	99	Do. 2pc '92‡‡(97.8)	103	-	2.68	3.51
96	92½	Do. 2 '94 (102.9)	94	-	3.21	3.71
142	127	Do. 2pc '96(67.9)	139	-	3.28	3.62
121	103	Do 2½pc '01(78.3)	118	-	3.50	3.75
118	101	Do. 2½pc '03(78.8)	115	-	3.57	3.79
120	102	Do. 2pc '06(69.5)	118	-	3.61	3.79
113	95	Do. 2½pc '09(78.8)	110	-	3.62	3.79
117	99	Do. 2½pc '11(74.6)	115	-	3.61	3.77
97	82	Do. 2½pc '13(89.2)	95	-	3.62	3.76
105	88	Do. 2½pc '16(81.6)	103	-	3.57	3.71
103	87	Do. 2½pc '20(83.0)	101	-	3.52	3.65
87	73	Do. 2½pc '24‡‡(97.7)	85	-	3.48	3.60

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1988:104.1 and for October 1988:109.5

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	104	-	10.63	10.56
104	96	Asian Dev Bk 10¼pcLn2009	100	-	10.19	10.18
129	120	Australia 13½pc 2010	126	-	10.71	10.43
112	103	Do. 11¾pcLn2015	109	-	10.41	10.34
110	103	Euro Inv Bk 11pc Ln 2002	105	-	10.45	10.28
105	98	Do. 10¼pc2004	100	-	10.30	10.28
120	112	Int-Am Dev Bk 12½pc 2003	115	-	10.86	10.42
98	91	Do. 9¾pcLn 2015	96	-2	10.12	10.15
96½	86	Mlysia 10¾pcLn 2009	95	-½	11.29	11.35
121	87	Utd. Mexican States 16½pc 2008	120	.....	13.64	12.85

CORPORATION LOANS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
111	100½	Birmingham 13½pc 1989	101½	+1	13.30	11.20
115½	101	Do. 11½pc 2012	107½	+1	10.70	10.60
94	87	GLC 6¾pc 1990-92	89½	+1	7.54	10.60
130	118½	Leeds 13½pc 2006	121½	.....	11.11	10.72
34	26¼	Liverpool 3½pc Irred	33	.....	10.61	-
97	91	LCC 6¾pc '88-90	93½	+1	7.22	11.10
31	25	Do. 3pc '20 Aft.	29	.....	10.34	-
112	100	Manchester 11½pc 2007	108½	.....	10.60	10.50

COMMONWEALTH & AFRICAN LOANS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
93	87¼	NZ 7¾pc 1988-92	88	-	8.20	11.20
207	197	S Rhod 2½pc Non-Assd	206	.....	-	-
84½	71½	Do. 4½pc 87-92 Assd	84½	.....	5.33	9.33

LOANS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		Building Societies				
100	99	T'wide Anglia 9¾pc 28.12.88	99	.....	9.79	12.59
100	98	Do. 9¾pc 23.1.89	99	.....	9.87	12.53
100	98	Do. 9¾pc 20.2.89	99	.....	10.01	12.46
100	98	Do. 9¾pc 13.3.89	98	.....	9.77	12.46
100	97	Do. 9pc 17.4.89	98	.....	9.31	12.46
100	97	Do. 9½pc 8.5.89	98	.....	9.62	12.38
100	97	Do. 8¾pc 30.5.89	98	.....	9.09	12.43
100	93½	Do. 9¾pc 26.6.89	98	.....	9.97	12.44
100	98	Do. 10¾pc 17.7.89	98	.....	10.82	12.49
100	94½	Do. 11pc 7.8.89	98	.....	11.20	12.57
100	98	Do. 11¾pc 29.8.89	99	.....	11.72	13.31
100	99	Do. 12¼pc 18.9.89	99	.....	12.46	13.22
100	98	Do. 12¾pc 2.10.89	98	.....	13.04	13.21
0	0	Do. 11¾pc 6.11.89	0	.....		
101	87½	Do. 3¾pcIL Ln 2021	98	-	4.39	4.54
		Public Board and Ind.				
96	90	Agric. Mt. 5pc '59-89	95	.....	5.26	8.51
48½	40	Met. Wtr. 3pc 'B'	47	.....	6.38	9.83
		Financial				
105	99¼	3i 11¼pc Un Ln '90	99	-	11.85	12.54
95½	86½	Do 7¼pcADb89-92	86½	.....	8.38	11.52
110	101	Do. 12½pc Un. Ln. 1992	101	-	12.27	11.80
93½	83	Do. 7¼pc A 1991-94	83	-	8.72	11.29
101	90	Do. 9pc A 1991-94	90	-	9.93	11.24
100	88½	Do. 8¾pc Ln 1992-97	88	-	10.00	10.98

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

137½	89	Allied London 10p	134	...	2.75	3.3	2.7	15.1

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

39	26	Tomorrows Leisure 20p	31	+3	–	–	–	15.4
25	13½	Tullow Oil 10p	21	–1	–	–	–	–
135	105	UPL Group 10p	112	–	L2.41	4.3	2.9	15.2
182	120	Unit Group	148	–1	F7.5	2.9	6.8	8.4

For Video Tape Recording or Leisure

6½	2	Wilton Group	5¼	–	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- \# Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	78	
Craig & Rose £1 γ	710xd	
Finlay Pkg. 5p γ	85	
Holt (Jos) 25p γ	£11½	

IRISH

Cap. 8½% Ln. 1991	£99⅞	
9pc Cap Ln. 1996	£103½	
Fin. 13% 97/02	£134½	
Arnotts γ	375	
Carrol (P.J.) γ	152	–3
Grafton Gp. γ	145	
Hall (R. & H.) γ	155	
Helton Hldgs γ	57	+1
Irish Ropes γ	165	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	34
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	32
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	98
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elec	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Secs	52
MEPC	50
Peachey	54

Oils	
Brit Petroleum	21
Do. (P Pd)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank of England sells sterling

HIGHER INTEREST rates provided support for the dollar and sterling yesterday. The dollar reversed its recent decline, and the pound was strong enough to prompt intervention from the Bank of England.

Both currencies were also underpinned by rising oil prices, partly because this will add to inflationary pressure, keeping interest rates high, and also because the US and Britain as oil producers, will not be hit as hard by rising prices as West Germany and Japan, which import virtually all their oil.

North Sea oil touched $15 a barrel, following the agreement by Opec ministers meeting in Vienna, to limit production.

The turnround in the dollar's fortunes began in the Far East, where speculation about a rise in US interest rates, and higher oil prices, led to covering of short positions.

There was no sign of intervention by the Bank of Japan as the dollar moved higher. Selling resistance was seen in Tokyo at around Y122.00, but the upward trend continued in Europe, where the US currency touched a peak of Y122.35.

A level of Y122.50 is seen as the next resistance level, which if broken could take the dollar up to Y123.00.

There was some confirmation of the trend in rates, when major US banks raised their prime lending rates by ½ p.c. to 10½ p.c.

This continued to set the dollar on an upward path, with the market looking to see whether strong growth will produce a tightening of the Federal Reserve's monetary policy, and a rise in the US discount rate.

Friday's US employment data is likely to prove the next important guide.

At the London close the dollar had advance to Y122.30 from Y121.05; to DM1.7330 from DM1.7150; to FFr5.9200 from FFr5.8625; and to SFr1.4505 from SFr1.4360.

On Bank of England figures the dollar's exchange rate index rose to 92.6 from 92.0.

Sterling fell 70 points to $1.8370 against the strong dollar, but advanced against other major currencies, prompting intervention by the Bank of England.

The pound touched a peak of DM3.1925 against the D-Mark, as the interest rate differential in favour of sterling increased after Friday's rise in UK bank base rates.

Dealers saw the Bank of England in the market selling the pound at around DM3.19, but suggested the action was not on a large scale

Sterling also rose to Y224.50 from Y223.25; to SFr2.6650 from SFr2.6475; and to FFr10.8750 from FFr10.8100.

According to the Bank of England the pound's exchange rate index rose 0.1 to 77.7.

In Paris the French franc gained a little ground against the D-Mark, but trading was nervous ahead of today's publication of French trade figures.

The surplus of FFr400m in September is expected to be turned back into a deficit in October, with the market looking for a figure of around FFr3bn.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4991	+2.45	+0.48	±1.5344
Danish Krone	7.85212	8.00384	+1.93	-0.04	±1.5404
German D-Mark	2.05853	2.07574	+0.84	-1.13	±1.0981
French Franc	6.90403	7.09103	+2.71	+0.74	±1.3674
Dutch Guilder	2.31943	2.34108	+0.93	-1.04	±1.5012
Irish Punt	0.768411	0.776201	+1.01	-0.96	±1.6684
Italian Lira	1483.58	1539.79	+3.79	+2.78	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.28	Latest	Previous Close
£ Spot	1.8360-1.8360	1.8415-1.8425
1 month	0.52-0.50pm	0.59-0.56pm
3 months	1.46-1.43pm	1.53-1.48pm
12 months	4.25-4.15pm	5.15-5.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov.28	Previous
8.30	am	77.9	77.2
9.00	am	77.9	77.2
10.00	am	77.8	77.2
11.00	am	77.8	77.2
Noon		77.9	77.0
1.00	pm	77.9	77.3
2.00	pm	77.9	77.6
3.00	pm	77.9	77.5
4.00	pm	77.7	77.6

POUND SPOT- FORWARD AGAINST THE POUND

Nov.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8335 - 1.8440	1.8365 - 1.8375	0.61-0.58cpm	3.89	1.59-1.54pm	3.41
Canada	2.1840 - 2.1955	2.1860 - 2.1870	0.48-0.37cpm	2.33	1.19-1.03pm	2.03
Netherlands	3.58½ - 3.60	3.58½ - 3.59½	2¼-2⅛cpm	7.31	6⅝-6⅜pm	7.24
Belgium	66.50 - 67.05	66.70 - 66.80	36-26cpm	5.57	101-8pm	5.60
Denmark	12.26 - 12.30¾	12.28½ - 12.29½	5¼-4¾orepm	4.83	14⅝-13⅝pm	4.64
Ireland	1.1875 - 1.1945	1.1925 - 1.1935	0.50-0.45cpm	4.78	1.44-1.34pm	4.66
W. Germany	3.18 - 3.19¼	3.18 - 3.18½	2¼-2pfpm	7.78	6¼-6pm	7.70
Portugal	263.40 - 265.70	263.40 - 264.40	8pm-37cdis	-0.66	25-127dis	-1.15
Spain	208.20 - 209.50	208.40 - 208.70	39-21cpm	1.73	51-30pm	0.78
Italy	2356½ - 2369½	2359 - 2360	3-1lirepm	1.02	6-4pm	0.85
Norway	11.92¾ - 11.99½	11.95 - 11.96	¼pm-¼oredis	-0.25	¾-1½dis	-0.31
France	10.86 - 10.90	10.87 - 10.88	4⅜-4cpm	4.62	12⅝-12¼pm	4.57
Sweden	11.07¼ - 11.11¼	11.08½ - 11.09½	2½-2orepm	2.43	7⅛-6⅞pm	2.50
Japan	224 - 225¼	224 - 225	1⅝-1½ypm	8.35	4⅝-4½pm	8.13
Austria	22.36 - 22.44	22.37 - 22.40	14½-12⅝gropm	7.24	42½-38½pm	7.19
Switzerland	2.66 - 2.67¼	2.66 - 2.67	1⅝-1½cpm	7.60	5¼-5⅛pm	7.79

Belgian rate is convertible francs. Financial franc 67.10-67.20. Six-month forward dollar 3.12-3.07cpm 12 months 5.45-5.35cpm

CURRENCY RATES

Nov.28	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.748483	0.651038
U.S Dollar	6.50	1.36920	1.19791
Canadian $	8.75	1.64277	1.42899
Austrian Sch.	4	16.5851	14.6013
Belgian Franc	7¼	49.4213	43.4991
Danish Krone	7½	9.09902	8.00384
Deutsche Mark	3½	N/A	2.07574
Neth.Guilder	4	2.65967	2.34108
French Franc	9½	8.05911	7.09103
Italian Lira	12½	1751.96	1539.79
Japanese Yen	2½	N/A	146.205
Norway Krone	8	8.91075	7.79780
Spanish Peseta	-	154.857	136.166
Swedish Krona	8½	8.23026	7.23478
Swiss Franc	3	1.98260	1.73697
Greek Drach.	20½	N/A	172.882
Irish Punt	-	N/A	0.776201

*All SDR rates are for Nov.23

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8335 - 1.8440	1.8365 - 1.8375	0.61-0.58cpm	3.89	1.59-1.54pm	3.41
Ireland†	1.5390 - 1.5440	1.5425 - 1.5435	0.12-0.17cdis	-1.13	0.44-0.54dis	-1.27
Canada	1.1890 - 1.1936	1.1910 - 1.1920	0.14-0.17cdis	-1.56	0.41-0.44dis	-1.43
Netherlands	1.9495 - 1.9585	1.9535 - 1.9545	0.56-0.54cpm	3.38	1.92-1.88pm	3.89
Belgium	36.20 - 36.40	36.30 - 36.40	5.50-4.50cpm	1.65	22.00-19.00pm	2.26
Denmark	6.66¼ - 6.69¾	6.68¾ - 6.69¼	0.60-0.20orepm	0.74	2.30-1.90pm	1.29
W. Germany	1.7275 - 1.7375	1.7325 - 1.7335	0.58-0.55pfpm	2.26	1.87-1.83pm	4.27
Portugal	143¾ - 144½	144 - 144¼	43-63cdis	-4.41	120-170dis	-4.02
Spain	113.15 - 113.90	113.65 - 113.75	15-25cdis	-2.11	70-80dis	-2.64
Italy	1282½ - 1288	1284¼ - 1284¾	2.50-3.50liredis	-2.80	7.60-8.10dis	-2.44
Norway	6.50 - 6.51¾	6.50½ - 6.51	2.00-2.40oredis	-4.06	5.85-6.35dis	-3.75
France	5.90 - 5.93¼	5.91¾ - 5.92¼	0.40-0.30cpm	0.71	1.80-1.60pm	1.15
Sweden	6.02 - 6.04½	6.03½ - 6.04	0.75-0.90oredis	-1.64	1.30-1.60dis	-0.96
Japan	121.65 - 122.35	122.15 - 122.25	0.45-0.42ypm	4.28	1.46-1.43pm	4.74
Austria	12.15¼ - 12.21¼	12.20¾ - 12.21¼	3.70-3.40gropm	3.50	12.50-11.00pm	3.86
Switzerland	1.4450 - 1.4545	1.4500 - 1.4510	0.49-0.46cpm	3.93	1.61-1.56pm	4.37

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.50-36.60.

CURRENCY MOVEMENTS

Nov.28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.7	-15.1
U.S Dollar	92.6	-15.1
Canadian Dollar	84.2	-1.8
Austrian Schilling	136.1	+10.3
Belgian Franc	99.1	-5.4
Danish Krone	99.1	+0.6
Deutsche Mark	146.3	+22.0
Swiss Franc	169.9	+21.3
Guilder	134.5	+14.2
French Franc	69.5	-14.9
Lira	45.7	-20.3
Yen	253.4	+89.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Nov.25.

EURO-CURRENCY INTEREST RATES

Nov.28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12⅝-12⅜	12¾-12½	12⅞-12¹¹⁄₁₆	13⅛-13¹⁄₁₆	13⅛-13¹⁄₁₆	13¹⁄₁₆-12¹⁵⁄₁₆
US Dollar	8⅞-8¾	8⅞-8¾	8¾-8⅝	9⅝-9½	9⅝-9½	9⅞-9¾
Can. Dollar	10¼-9⅞	10¼-9⅞	10¼-10	10⅞-10⅝	11⅛-10⅞	11⅛-10⅞
D. Guilder	5¼-4⅞	5¼-5	5⅜-5³⁄₁₆	5⅞-5⅝	5½-5⅜	5¾-5⅝
Sw. Franc	5¼-5	5¼-5	5-4⅞	5⅛-4¹⁵⁄₁₆	4¾-4⅝	4¾-4⅝
Deutschmark	4⅞-4½	4⅞-4¾	4⅞-4¾	5⅛-5	5¼-5⅛	5⅝-5½
Fr. Franc	7⅞-7⅝	7⅞-7⅝	7⅞-7¹³⁄₁₆	8⅛-8⅛	8⅜-8¼	8⅝-8⅜
Italian Lire	12-10	11¾-10¾	11⅝-11⅛	12-11½	12-11⅝	12-11⅝
B. Fr. (Fin)	7⅞-7⅛	7⅞-7⅛	7¼-7⅛	7⅜-7¼	7⅜-7¼	7⅜-7¼
B. Fr. (Con.)	7⅛-7	7⅛-7	7⅛-7	7½-7⅜	7⅜-7¼	7⅜-7⅛
Yen	3¹¹⁄₁₆-3⁹⁄₁₆	4⅝-4⅜	4½-4⅜	4⅜-4¼	4⅝-4½	4⅝-4½
D. Krone	7¾-7½	7⅞-7½	8-7¾	8⅛-8	8⅜-8¼	8⅝-8½
Asian $Sing	8½-8⅜	8⅝-8½	8¾-8⅝	9½-9⅜	9⅝-9½	9½-9⅜

Long term Eurodollars: two years 9¾-9½ per cent; three years 9¾-9½ per cent; four years 9⅞-9⅝ per cent; five years 10-9¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Nov.28	£	$
Argentina	23.3800 - 23.5400	12.7400 - 12.8200
Australia	2.1010 - 2.1030	1.1435 - 1.1445
Brazil	1047.25 - 1053.05	570.60 - 573.45
Finland	7.5265 - 7.5308	4.1020 - 4.1040
Greece	263.15 - 267.70	143.05 - 145.45
Hong Kong	14.3250 - 14.3385	7.8070 - 7.8090
Iran	123.00*	66.75*
Korea(Sth)	1264.65 - 1274.80	685.30 - 690.80
Kuwait	0.51310 - 0.51420	0.27980 - 0.27990
Luxembourg	66.70 - 66.80	36.50 - 36.60
Malaysia	4.9135 - 4.9155	2.6780 - 2.6810
Mexico	4191.80 - 4205.15	2284.00 - 2290.00
N. Zealand	2.8060 - 2.8110	1.5270 - 1.5290
Saudi Ar.	6.8790 - 6.8890	3.7500 - 3.7510
Singapore	3.5700 - 3.5760	1.9450 - 1.9470
S. Af (Cm)	4.2610 - 4.2665	2.3195 - 2.3225
S. Af (Fn)	6.3350 - 6.4460	3.4435 - 3.5090
Taiwan	51.65 - 51.90	28.05 - 28.15
U.A.E.	6.7350 - 6.7470	3.6725 - 3.6735

*Selling rate

EXCHANGE CROSS RATES

Nov.28	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.837	3.183	224.5	10.88	2.665	3.590	2360	2.187	66.75
$	0.544	1	1.733	122.2	5.923	1.451	1.954	1285	1.191	36.34
DM	0.314	0.577	1	70.53	3.418	0.837	1.128	741.4	0.687	20.97
YEN	4.454	8.183	14.18	1000.	48.46	11.87	15.99	10512	9.742	297.3
F Fr.	0.919	1.688	2.926	206.3	10	2.449	3.300	2169	2.010	61.35
S Fr.	0.375	0.689	1.194	84.24	4.083	1	1.347	885.6	0.821	25.05
H Fl.	0.279	0.512	0.887	62.53	3.031	0.742	1	657.4	0.609	18.59
Lira	0.424	0.778	1.349	95.13	4.610	1.129	1.521	1000.	0.927	28.28
C $	0.457	0.840	1.455	102.7	4.975	1.219	1.642	1079	1	30.52
B Fr.	1.498	2.752	4.769	336.3	16.30	3.993	5.378	3536	3.276	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices fall

STERLING BASED futures maintained a bearish undertone in yesterday's Liffe market, still suffering from the effects of a record UK trade deficit in October and a rise in bank base rates.

Trading volume was down significantly from the record levels seen at the end of last week, as investors assessed the possibilities of another rise in base rates.

The strength of sterling gave some underlying support, but dealers are aware that only the attraction of high interest rates provides a supportive element for the pound. Investor confidence based on economic fundamentals is much less bullish.

US bond futures fluctuated in response to developments at the meeting of Opec Ministers. Early suggestions of a $15 barrel price from Saudi Arabia pushed values firmer, but news of an agreed formula to restrict production in the first half of next year, sent values sharply weaker. The December bond price recovered to finish at 87-15, up from a low of 87-02, but down from 87-24 at the opening. News of a rise in US prime rates to 10½ p.c. had already been discounted to a large extent.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	527	702	3	6
92	337	513	13	17
94	161	338	37	42
96	54	217	130	121
98	18	119	258	223
100	5	43	445	347
102	2	19	642	523

Estimated volume total, Calls 637 Puts 2368
Previous day's open int. Calls 10437 Puts 12923

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
80	724	—	18	—
82	538	539	32	109
84	401	412	59	146
86	242	262	136	232
88	135	213	229	347
90	54	129	348	463
92	28	59	522	629

Estimated volume total, Calls 60 Puts 200
Previous day's open int. Calls 1608 Puts 3328

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
16500	1432	1692	2	77
17000	950	1277	20	162
17500	527	916	97	321
18000	227	623	297	508
18500	71	399	641	784
19000	16	241	1086	1126
19500	2	137	1572	1522

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 6

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6896	0.6921	0.6895	0.6972
Mar	0.6970	0.6998	0.6970	0.7050
Jun	0.7060	-	0.7060	0.7139
Sep	0.7135	-	0.7135	0.7206

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	269.10	269.20	267.80	267.35
Mar	272.00	272.10	270.70	270.05
Jun	274.60	274.60	273.10	272.70
Sep	276.80	276.80	-	275.70

6% NOTIONAL GERMAN GOVT. BOND
DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	96.58	97.07	96.52	96.94
Mar	95.96	96.41	95.89	96.38

Estimated Volume 7497 (5673)
Previous day's open int. 11781 (11473)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8370	1.8311	1.8214	1.8061	1.7830

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.8312	1.8374	1.8308	1.8374
Mar	1.8184	1.8230	1.8170	1.8240
Jun	1.8090	1.8110	1.8090	1.8110

EUROPEAN OPTIONS EXCHANGE

NAT.NED. C FL 60	66	3	2	4.50	102	5.50	FL 61.80
NAT.NED. P FL 60	36	1.20	4	2	-	-	FL 61.80
PHILIPS C FL 30	192	1.30 B	51	2.30	56	2.60	FL 30.20
PHILIPS P FL 30	200	1.20	144	2.40	79	2.90	FL 30.20
ROYAL DUTCH C FL 230	799	3.40	103	8.30	7	9.90	FL 223.80
ROYAL DUTCH P FL 220	417	3.20	118	5.80	4	9.20	FL 223.80
UNILEVER C FL 120	730	1.40	59	4.50	34	5.70 B	FL 111.80
UNILEVER P FL 120	128	8.70	27	10.20	16	12	FL 111.80
VAN OMMEREN C FL 30	54	1.30	46	2.30 B	83	2.60	FL 30
WESSANEN C FL 80	30	2.60 B	-	-	-	-	FL 80

TOTAL VOLUME IN CONTRACTS: 25,877
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	12
Adam & Company	12	Clydesdale Bank	13	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm.Bk.N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	12	Co-operative Bank	*13	PRIVATbanken Limited.	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	12	Cyprus Popular Bk	13	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	12½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	12	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	13	TSB	12
Bank Leumi (UK)	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	‡12.75
Bank Credit & Comm	12	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	12	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	12		
Brit Bk of Mid East	12	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	12		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13½		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	12	Mount Bnkg Corp.	13		
Citibank NA	12	Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Sumaise 8.47%. Top Tier-£10,000+ instant access 11.06% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 12.375% - 12.75%

MONEY MARKETS

UK rates firmer

A FURTHER rise in UK interbank rates served to underline the unsettled mood of trading in London yesterday. Despite the pound's firmer tone, there is a growing belief that bank base rates may have to be increased again.

The bearish tone gained further momentum after leading US banks increased their prime borrowing rates to 10½ p.c. from 10 p.c. The key three-month interbank rate in London rose to 13⅛-13¹⁄₁₆ p.c. from 13-12⅞ p.c. on Friday, while the one-year rate moved up to 13-12⅞ p.c. from 12⅞-12¾ p.c.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of England forecast a shortage of around £450m, with factors affecting the market including, bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £912m, and Exchequer transactions accounting for a further £195m. These were partly offset by a fall in the note circulation of £460m, and banks' balances brought forward £185m above target.

The forecast was revised to a shortage of around £500m, and the Bank gave assistance in the morning of £230m through outright purchases of £206m of eligible bank bills in band 1 at 12⅞ p.c., and in band 4, £1m of Treasury bills and £23m of eligible bank bills, all at 12⅞ p.c.

A further revision took the forecast to a shortage of £550m, before taking into account the morning help, and the Bank gave additional assistance in the afternoon of £260m through purchases of £134m of eligible bank bills in band 1 at 12⅞ p.c., £1m in band 3 at 12¹³⁄₁₆ p.c. and £125m in band 4 at 12¾ p.c. Total help came to £490m.

The West German Bundesbank announced a surprise sale and repurchase tender yesterday, and traders estimated the total amount allocated as DM3bn, at between 4.55 p.c. and 4.90 p.c. There was no formal announcement of the tender, and institutions were contacted separately by the central bank. The slightly higher accepted tender rate reflected a desire by commercial institutions to secure funds at below the 5 p.c. Lombard rate.

The four-day agreement was seen as a direct response to a tightening of liquidity towards the month-end, and is also intended to have a dampening effect on domestic rates, in the wake of higher rates in the UK and US. The Bundesbank will be keen to avoid a rise in West German interest rates, since this would negate the supportive effect of higher US rates on the dollar.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.28) 3 months US dollars		6 months US Dollars	
bid 9⅜	offer 9½	bid 9⅜	offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10-½
Broker loan rate	9¾-½
Fed.funds	8½-⅝
Fed funds at intervention	-

Treasury Bills and Bonds

One month	7.10	Three year	9.06
Two month	7.82	Four year	9.08
Three month	8.31	Five year	9.09
Six month	8.59	Seven year	9.14
One year	8.74	10-year	9.17
Two year	9.00	30-year	9.18

Nov.28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.90	4.55-4.65	4.75-4.90	4.75-4.90	4.80-4.95	5.00
Paris	7¹³⁄₁₆-7¹¹⁄₁₆	7⅞-8	8-8⅛	8⅛-8¼	8¼-8⅜	7.25
Zurich	4½-4½	4½-4¾	-	4⅝-4¾	-	-
Amsterdam	4.75-4.88	5.25-5.35	-	5.31-5.43	-	-
Tokyo	3.71875	4.59375	-	4.71875	-	-
Milan	10¾-11¼	11½-12	-	11½-12	-	-
Brussels	5.60	7¼-7⅜	-	7⅜-7⅞	-	-
Dublin	7¼-7½	7⅝-7⅞	7¾-8	7⅞-8¼	8¼-8½	-

LONDON MONEY RATES

Nov.28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13	12¾	12⅞	13⅛	13⅛	13¹⁄₁₆
Interbank Bid	11¼	12⅝	12¾	13	13	12⅞
Sterling CDs	-	-	12¹³⁄₁₆	13⅛	12⅞	12⅞
Local Authority Deps.	12⅛	12½	12¹³⁄₁₆	13⅛	13⅛	12⅞
Local Authority Bonds	-	-	12¾	12½	12⅝	12⅝
Discount Mkt Deps.	12½	12⅝	12⅝	12⅝	-	-
Company Deposits	-	-	13⅛	13⅛	13⅛	13⅛
Finance House Deposits	-	-	12⅞	13⅛	13⅛	13
Treasury Bills (Buy)	-	-	12¹³⁄₁₆	12⅝	-	-
Bank Bills (Buy)	-	-	12¹³⁄₁₆	12¾	12⅝	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	13	-
Dollar CDs	-	-	8.70-8.65	9.40-9.35	9.40-9.35	9.50-9.45
SDR Linked Dep Offer	-	-	7⅜	7¹³⁄₁₆	7¹³⁄₁₆	7⅞
SDR Linked Dep Bid	-	-	7¼	7⅝	7⅝	7⅝
ECU Linked Dep Offer	-	-	7⅝	7¹³⁄₁₆	8	8
ECU Linked Dep Bid	-	-	7½	7¹¹⁄₁₆	7⅞	7⅞

Treasury Bills (sell): one-month 12¹¹⁄₁₆ per cent; three months 12⅝ per cent; Bank Bills (sell): one-month 12⅝ per cent; three months 12¹¹⁄₁₆ per cent; Treasury Bills: Average tender rate of discount 12.5769 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Oct.31, 1988. Agreed rates for period November 26,1988 to December 25, 1988, Scheme I: 13.07 p.c., Schemes II & III: 13.27 p.c. Reference rate for period October 1,1988 to October 31, 1988, Scheme IV&V: 12.035 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from November 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent, six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July.5.1988. Deposits withdrawn for cash 5 per cent.

COMPANY NOTICES

ART GALLERIES

CLUBS

COMPANY NOTICES

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO

2pm prices November 28

Quotations in cents unless marked $.

f—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Nov 25	Nov 23	Nov 22	Nov 21	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2074.68	2092.28	2077.70	2065.97	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.05	89.26	89.19	89.41	91.25 (3/5)	86.12 (4/1)	–	–
Transport	907.72	919.48	897.92	897.32	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.37	182.67	182.67	182.25	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2085.53 (2103.49) Low 2062.77 (2071.48)

STANDARD AND POOR'S	Nov 25	Nov 23	Nov 22	Nov 21	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	267.23	269.00	267.21	266.26	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	307.64	309.45	307.55	306.14	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.28	24.57	24.43	24.38	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	150.63	151.41	150.55	150.10	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	291.19	290.09	288.22	286.17	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	366.38	367.76	365.36	367.18	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 18	Nov 11	Oct 21	year ago (approx.)
Dow Industrial Div. Yield	3.83	3.81	3.54	3.58

	Nov 16	Nov 9	Nov 2	year ago (approx.)
S & P Industrial div. yield	3.32	3.19	3.09	3.31
S & P Indl. P/E ratio	12.13	12.60	13.52	16.39

TRADING ACTIVITY † Volume Millions

	Nov 25	Nov 23	Nov 22
New York	72.090	112.010	127.000
Amex	4.766	7.683	9.705
OTC	50.065	103.662	117.084

NEW YORK	Nov 25	Nov 23	Nov 22
Issues Traded	1,812	1,913	1,946
Rises	513	882	713
Falls	778	517	700
Unchanged	521	514	533
New Highs	24	31	27
New Lows	21	32	53

CANADA

TORONTO	Nov 25	Nov 24	Nov 23	Nov 22	1988 High	1988 Low
Metals & Minerals	2904.0	2896.2	2848.3	2821.5	3226.5 (5/7)	2238.7 (8/2)
Composite	3275.0	3265.0	3246.1	3258.7	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1622.02	1619.85	1610.24	1617.06	1723.71 (5/7)	1305.06 (27/1)

	Nov. 28	Nov. 25	Nov. 24	Nov. 23	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1480.1	1506.0	1498.9	1490.7	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	690.1	703.1	700.2	693.6	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.60	221.70	222.80	224.90	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5370.70	5388.70	5393.00	5367.00	5393.00 (24/11)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	248.61	247.78	248.30	247.78	248.61 (28/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	738.9	739.7	736.2	731.6	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	392.1	393.5	393.1	391.1	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	149.5	151.5	151.1	149.9	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	522.55	527.74	529.51	530.35	542.21 (7/10)	396.40 (29/1)
Commerzbank (1/12/53)	1570.7	1588.4	1594.6	1597.6	1641.60 (7/10)	1207.9 (29/1)
DAX (30/12/87)	1259.13	1275.41	1279.23	1280.97	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2625.08	2656.08	2666.02	2633.65	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	573.91	580.21	580.85	579.64	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28983.32	29406.65	29340.03	(c)	29430.12 (22/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2245.50	2275.41	2273.51	(c)	2278.83 (22/11)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	270.3	272.9	273.3†	272.8	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	238.5	241.0	240.7†	238.8	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	420.77	419.49	417.96	418.86	423.64 (2/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1002.55	1010.94	1012.19	1008.24	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1330.0	1284.0	1278.0	1285.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1839.0	1838.0	1839.0	1838.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	283.50	283.77	282.52	282.06	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3157.70	3199.60	3234.40	3240.50	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	577.7	580.2	576.1	565.6	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	488.8	491.1	489.8	491.1 (24/11)	401.0 (21/1)

**Saturday Nov. 26: Japan Nikkei 29363.99 and TSE 2273.70

♦ Subject to official recalculation. †Correction.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Utilities	2,120,300	28⅛	—	Exxon	789,600	42	—
AT&T	1,886,400	29¼	—	Texaco	778,000	46⅛	+ ⅜
RJR Nabisco	1,494,900	88	+ 1⅛	General Electric	718,900	43¼	– ⅝
Upjohn	1,026,600	27⅞	– 1⅛	Mobil	714,300	43⅝	+ 1
Phillips Pet	870,100	20⅞	+ ⅛	SCEcorp	710,300	32¼	– ⅜

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 28 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	189.1m	935	-33	NKK	39.3m	937	-29
Kawasaki Heavy Ind	124.3m	914	+14	Kobe Steel	30.5m	727	-15
Mitsubishi Heavy Ind	110.7m	1,080	-30	Hitachi Zosen	28.8m	570	-20
Sumitomo Metal	88.8m	763	uch	Mitsui Eng & Shipbdg	26.5m	691	-24
Kawasaki Steel	40.2m	1,080	-60	Ube Industries	18.9m	675	+20

3pm prices November 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A-A-A —								
27½	14	AAR	.44	1.9	16	22	23⅛	22¼	22¼	− ⅛
10⅛	8¾	ACM n				15	9⅛	9	9	
12⅝	10⅛	ACMIn 1.26a		11.		455	11⅛	11	11	− ⅛
10⅛	10	ACM M n				74	10⅛	10	10	
12⅛	10⅝	ACMSc n1.26		12.		532	10¾	10⅝	10¾	
10⅛	8⅞	ACMSp n1.01		11.		258	9	8⅞	8⅞	− ⅛
8⅝	3⅞	AM Intl				907	4⅞	4½	4⅞	+ ⅛
23¼	18⅛	AM Int pf 2		9.4		25	21⅛	21⅛	21⅛	− ⅛
51¼	26¼	AMR			8	5415	u51⅛	49⅞	51¼	+1½
8⅞	5⅞	ARX			10	131	5⅞	5⅝	5⅝	− ⅛
62¼	35¼	ASA	3a	7.6		674	40½	39⅞	39⅞	− ⅛
20⅛	11	AVX	.12e	.8	11	35	16	15⅞	16	+ ⅛
52⅝	42⅛	AbtLab 1.20		2.7	14	2029	45⅛	44½	44⅞	+ ½
21¾	15⅛	AbtBtc 1				234	18⅛	18⅛	18⅛	− ⅛
13⅞	7½	AcmeC .40		5.1		27	7⅞	7⅞	7⅞	
8⅞	5⅞	AcmeE .32b		5.3	28	26	6	5⅞	6	+ ⅛
28½	12¾	Acuson			20	202	21⅞	20⅞	21¼	+ ⅞
17	14⅝	AdaEx 1.89e		12.		51	14¼	14⅝	14¼	
16⅞	7⅞	AMD			13	1459	7½	7¼	7¼	− ⅛
43½	28¼	AMD pf 3		10.		165	29½	29	29¼	− ⅛
[illegible]										

Continued on Page 45

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
19	15¼	REIT	1.34	8.6	14	29	15⅝	15⅝	15⅝	
16½	14	RltRef	1.72	12.	9	5	14⅝	14⅝	14⅝	+ ¼
11⅞	5½	RacnEq			26	178	9⅝	9¼	9⅜	− ⅜
10⅛	5¾	Redmn	.36	3.6		171	9⅞	9⅝	9⅞	+ ⅛
18⅝	8½	Reebok	.30	2.7	8	1495	11¼	11	11⅛	
12⅞	9⅛	Reece	.15e	1.3	17	25	12	12	12	+ ¼
1	5-32	Regal				773	7-32	3-16	3-16	− 1-32
6⅝	4⅛	RegIFn	.25e	4.0		225	6⅛	6⅛	6⅛	+ ⅛
16⅞	13⅜	ReichTg	1.78	13.	8	60	13⅞	13¾	13⅞	− ⅛
7½	4½	RelGrp	.32	7.1	6	30	4⅝	4½	4½	
6⅞	4¼	RepGyp	.20	4.6	22	38	4½	4⅜	4⅜	− ⅛
46⅛	38½	RepNY	1.20	2.8	10	46	42½	42¼	42⅜	
23¼	16	Rvsne	n.15e	.9		147	16⅝	16⅜	16⅜	− ⅛
58	34	ReyMtl	1	2.0	7	877	51⅛	50½	50⅞	− ⅜
40⅞	29¼	RiteAid	.74	2.1	16	611	35¼	34¾	35	− ⅞
1	7-16	RvrOak				102	15-32	7-16	7-16	
16½	8¾	Robtsn				65	9⅝	9½	9½	− ⅛
27	12¼	vjRobins			12	90	23	22¾	22¾	
18¼	14⅛	RochG	1.60	8.7	11	152	17⅜	17	17⅜	+ ⅛
49¼	38	RochTl	2.72	5.7	13	9	48⅛	47⅞	47⅞	
11½	5⅝	Rckwy	.36	3.8	11	31	9½	9⅜	9½	
20⅝	15⅜	RckCtr	1.84	9.3	15	161	19⅞	19⅝	19⅞	+ ⅛
23½	16⅞	Rockwl	.72	3.6	8	1540	19⅝	19⅜	19⅝	+ ⅜
37½	28	RoHaas	1.12	3.6	9	720	31	30⅞	30⅞	− ⅛
33½	18⅛	Rohr			14	634	25½	25⅛	25½	+ ⅛
19⅝	9	RollnE	s .08	.8	19	1369	10⅜	9⅞	10⅜	+ ½
19¼	13⅝	Rollins	.52	3.1	16	142	17	16⅝	16⅝	− ⅛
46⅜	21⅝	Rorer s	.80	1.8	25	2207	43⅛	42⅞	43⅛	− ⅛
6⅝	4	Rowan				4262	5⅝	5	5	− ⅛
124⅛	101	RoylD	7.24e	6.3	7	2825	114¼	113⅞	114⅛	− ⅞
13½	7⅛	RoyInt	.16e	1.7	11	125	9⅞	9⅝	9⅝	+ ⅛
8⅞	6	Royce	.22e	2.7		216	8⅛	8	8⅛	+ ⅛
27	19⅞	Rubmd	.44	1.8	19	453	24⅝	24	24⅛	+ ⅛
28⅛	17½	RussBr	.40	2.1	8	85	16⅞	16⅝	16⅞	− ⅛
18⅞	11	RussTg	.60	4.8	19	59	12⅝	12⅝	12⅝	
17⅞	10⅝	Russell	.24	1.5	12	403	15⅝	15⅜	15⅝	− ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
3⅞	2¼	Zapata				205	2⅝	2½	2½	− ⅛
27⅛	13½	Zayre	.40	1.6	171	1376	25⅝	25⅜	25⅝	+ ⅛
15½	8¾	Zemex	.40	3.2	16	12	12⅝	12⅝	12⅝	− ⅝
30	13	ZenithE				581	18⅛	17⅞	18	− ⅛
10⅞	9½	Zenin	n .80e	8.1		252	9⅞	9⅞	9⅞	
3⅞	1	vjZenLb				512	2¼	2⅛	2⅛	+ ⅛
21⅝	13⅛	ZeoNtl	.80b	5.0	7	167	15⅞	15⅝	15⅞	
17⅛	11¾	Zero	.44	2.8	13	218	16	15¾	15⅞	+ ⅛
29	15½	Zurnin	.68	2.5	15	100	27½	26⅝	27⅛	+ ½
11⅛	8⅛	Zweig	1.04	10.		586	10⅛	10	10⅛	
10⅛	9⅝	ZweigT	n.09e	.9		448	9½ d	9¼	9⅜	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices
November 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProsCn		1	33	5⅞	5¾	5⅞	+ ⅛
ProfCre			15	1½	1½	1½	
− R−R −							
RAC n	1.23e		209	8⅞ d	8⅝	8⅝	− ¼
RBW			8	5¼	5¼	5¼	− ⅛
Ragan	.12	22	20	19	19	19	

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 28

AMERICA

Dow oscillates nervously after banks put up prime

Wall Street

NEWS of the production accord from the Organisation of Petroleum Exporting Countries and a round of prime rate increases saw early gains in equities first reversed and then recouped in average trading, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 4.98 higher at 2,079.86 in moderate volume of 62m shares after being down more than 5 points at noon.

To some extent, the Opec agreement setting a production ceiling of 18.5m barrels a day had been expected and crude oil prices jumped at the end of last week in anticipation of an agreement. Nevertheless, at a time of inflation worries and a falling dollar, the prospect of higher oil prices does not help stocks or bonds.

By mid-morning, January crude oil futures had risen by $1.62 a barrel to $15.60 a barrel on the New York Mercantile Exchange. There was also a surge in precious metal prices which pushed the Commodity Research Bureau's widely watched futures index up by 1.85 points.

The prime rate increases to 10.5 per cent from 10 per cent announced by several leading US commercial banks had also been expected as short-term money market rates have moved sharply higher in the last fortnight.

Everyone is now talking about higher interest rates. The Fed Funds rate has crept well above the 8¼ per cent rate which prevailed throughout the autumn. It is difficult because of the usual winter seasonal pressure on the Funds rate to tell whether the US Federal Reserve is actually tightening monetary policy but analysts still expect interest rates to rise over the next couple of months.

Few analysts yesterday believed that the prime rate rises would swiftly be followed by an increase in the Fed's key discount rate. The Fed will want more evidence of substantial inflationary pressures before moving its discount rate, many believe. The key economic indicator this week is November's employment and unemployment statistics which the markets will watch closely because it has played an important role in Fed policy-making this year.

The prime rate rises had a marginally positive effect on the dollar which rose briefly only to dip again.

The bond market proved reasonably robust in the wake of what should have been clearly negative news, suggesting that the sharp rise in yields is beginning to attract some interest. This is not particularly good news for stocks which some analysts already believe are unattractive against bonds.

Among featured sectors were oils which gained in response to the Opec agreement. Mobil, one of the most actively traded stocks on the New York Stock Exchange, added $⅝ to $44¼, Atlantic Richfield rose $¼ to $80½ and Exxon gained $⅛ to $42⅛, but Chevron dipped $¼ to $45.

Airline stocks, which normally react negatively to oil price rises, were generally stronger in response to more positive comment from analysts about their prospects. UAL, the holding company for United Airlines, jumped $3⅛ to $107, Delta added $⅞ to $47⅞ and AMR was up $1⅛ to $50⅞.

Among featured individual stocks was Kimberley-Clark which rose $1¾ to $57⅞. The company refused to comment on takeover rumours.

Canada

FEARS about rising interest rates sent Toronto shares lower at midday. The composite index, which had lost about 6 points in earlier trading, fell 21.50 to 3,253.60 as declines outnumbered advances by 306 to 246 on light turnover of 10.4m shares.

EUROPE

Trading stagnates as all eyes fix on interest rates

TRADING ground to a snail's pace in European bourses yesterday as worries over the UK interest rate rise on Friday were compounded by a half percentage point rise in US prime rates late in the afternoon, *writes Our Markets Staff.*

With attention focusing as well on oil prices and the dollar, activity was thin in European stocks traded in London and in after-hours dealing. "It was one of the worst days for weeks," said an analyst.

FRANKFURT suffered from near paralysis, with only a minuscule DM1.6bn worth of domestic shares traded on all German exchanges. Poor corporate news exacerbated concern over a possible rise in US interest rates to leave the FAZ index 5.19 lower at midsession and the DAX down 16.28 at a closing 1,259.18.

On the positive side, the dollar remained steady after an early rise against the D-Mark, and the Bundesbank injected short-term liquidity into the money market through securities repurchase funds to hold German interest rates stable.

Nixdorf, the computer maker, tumbled DM27.80, or 7.7 per cent, to DM333.30 after reports that profits would be much lower this year. The company's finance director said that, although sales would rise this year and next, profits would not return to the DM264m level of last year until the early 1990s.

Weak banks saw Commerzbank off DM4.50 at DM234 before its third quarter results today. Dresdner, with figures due tomorrow, lost just DM2 to DM292.50 amid suggestions of price support following its recent rights issue.

In the retail sector, Co op resumed trading and plunged DM140, or 35 per cent, to DM260 after its creditor banks agreed a restructuring plan at the weekend. Asko, subject of a recently troubled rights issue, fell DM29 to DM716.

PARIS was crippled by uncertainty over the dollar and interest rates, and by concern over domestic trade figures, due out this morning. Volumes were low, with share prices opening weaker and changing little over the session.

The CAC General index fell 1.4 to 392.1 while the OMF 50 index added 1.13 to 404.52. UBS-Phillips & Drew forecasts a trade deficit of about FFr2bn for October.

Privatised bank Société Générale featured after weekend press reports about government-linked stakebuilding. The stock added FFr19 to FFr557, with Finance Minister Pierre Bérégovoy saying he was not seeking to establish political control of privatised companies. That followed a news report on Saturday which said the Government had asked three state insurance companies to buy SocGen shares.

Car components maker Valeo saw a heavy 71,400 shares traded, but lost FFr4 to FFr598. Total benefited from rising oil prices, gaining FFr7 to FFr329, as did Esso France, up FFr21 at FFr298.

AMSTERDAM had another volatile day, opening better, then falling in reaction to higher oil prices before recovering some ground late in the session as the dollar moved up and Wall Street made early gains. The CBS all-share index lost 0.5 to 97.2 in thin trading.

The rise in crude prices sent Royal Dutch Fl 1.20 higher to Fl 223.80. The oil company's shareholders approved a two-for-one share split.

Fokker, the aircraft maker, lost 20 cents to Fl 21 after Swissair said it would not exercise an option to buy six more Fokker F-100 jets. Fokker also announced eight new orders.

Holland America, the leisure group, jumped Fl 473 to Fl 1,215 on news it is selling its cruise business to Carnival Cruise Lines of the US for $625m in a deal which one securities house said put its net asset value per share at close to Fl 2,000.

BRUSSELS was led lower again by hefty share price losses at subsidiaries of Société Générale de Belgique after last week's news of their recapitalisation.

Gechem, the chemicals group, plummetted by 27 per cent to BFr652, a loss of BFr238, with a large 104,000 shares changing hands. Fabrique Nationale, the arms maker, dropped BFr60 to BFr760, with 35,100 shares traded. The FN board yesterday set a range of BFr300-BFr600 for the price at which it will issue new shares, while Gechem's board set its price range at BFr450-BFr750.

Wagons-Lits had another good session, gaining BFr610 to BFr8,910 amid speculation of disagreements between its key shareholders.

ZURICH had a quiet day, punctuated by some profit-taking, as investors anticipated news on interest rates from the US, which came after the close. The Crédit Suisse index fell back after four sessions of gains, losing 2 to 402.5.

Both bearer and registered stocks fell. Nestlé bearers lost SFr75 to SFr7,925 and the registereds eased SFr10 to SFr1,210.

MILAN fell back in low volume, with the Comit index off 6.3 at 573.91. Fiat continued to suffer from the resignation last week of Mr Vittorio Ghidella, the head of Fiat Auto, losing L69 to L9,731.

MADRID finished little changed, with the general index losing 0.27 to 283.50 amid signs of increased foreign activity.

ASIA PACIFIC

Oil price fears trigger sharp fall in Nikkei

Tokyo

NERVOUSNESS about higher oil prices and the possibility of a rise in interest rates led to a flurry of selling that sent share prices tumbling, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average took a sharp 380.27 point drop to end below 29,000 for the first time in seven trading days at 28,983.32. The index reached a high of 29,340.41 and fell to a low of 28,979.73. Issues that declined outnumbered those that advanced by 563 to 343 and 137 issues were unchanged.

Volume at 1.28bn shares was higher than the 941m traded on Friday. The TOPIX index of all listed shares dropped a substantial 28.20 points to 2,245.50 and in later trading in London the ISE/Nikkei 50 index edged down 1.89 to 1,842.99.

"The feeling in the market is that oil prices and interest rates are going up," said Mr Hamish Ross at Hoare Govett in Tokyo. News that Opec had reached an agreement on production quotas had already raised oil prices.

The weakness in the US bond market had also been slowly fuelling fears that the US might once again raise its official discount rate after it did so in the summer in the face of a decline of the dollar against the yen. The recent sharp appreciation of the yen against the dollar renewed concerns about a possible increase in US interest rates which were further fuelled by the one percentage point increase in UK base rates last Friday.

The possibility of higher oil prices and interest rates led to a bout of selling in issues such as utilities, financials, property, large capital steels and shipbuildings.

Utilities were also sold on profit-taking as they were felt to have risen too quickly. Tokyo Electric Power lost Y280 to Y6,470 and Tokyo Gas dropped Y40 to Y1,390.

Among financials suffering significant losses were Sumitomo Bank, off Y100 to Y3,650, and Mitsui Bank, Y90 lower at Y2,300.

Both Mitsubishi Estate and Mitsui Real Estate, which had been leading gainers in their sector, fell on profit-taking. Mitsubishi Estate lost Y100 to Y2,750 while Mitsui Real Estate dropped Y90 to Y2,910.

Nippon Steel, the most heavily traded issue at 169m shares, fell Y33 to Y935 while Kawasaki Steel lost Y50 to Y1,030 in heavy trading.

Shipbuilding companies were weaker on the whole with Mitsubishi Heavy Industries, third in volume at 110.7m shares, down Y30 at Y1,030.

Hitachi Zosen fell Y20 to Y570 and Mitsui Engineering and Shipbuilding declined Y24 to Y691. A notable exception was Kawasaki Heavy Industries, which closed up Y14 at Y914. Kawasaki had reached a new high during the day of Y929, up Y29 from Saturday, on the strength of its defence business as well as the prospect of a significant profits increase in the fourth quarter following key restructuring efforts.

Several issues lagged. Ube Industries, a maker of chemicals and industrial plants among other things, rose Y20 to Y675. Ube Industries also attracted interest on a 22 per cent increase in third quarter recurring profits. The company benefits further from property it owns in Chiba prefecture which gives it redevelopment possibilities.

TDK, the world's largest maker of magnetic tape, has been lagging Sony and other electricals in their recent run. TDK closed up Y290 at Y4,290. The stronger dollar against the yen during the day also spurred some buying in electricals, and Hitachi added Y40 to Y1,560.

Trading in Osaka was also saw a correction with oil price and interest rate sensitive issues largely falling back. The OSE average dropped 54.43 to 27,183.83. Volume was fairly strong at 118.3m shares compared with 110.6m on Friday.

Nippon Steel was most heavily traded and lost Y26 to Y940. The main gainer was Nintendo, a maker of computer games, which saw a substantial Y460 gain to Y8,540.

Roundup

THERE were sharp falls in the leading Asia Pacific markets in response to the interest rate rise in Britain and prospects of stronger oil prices.

AUSTRALIA was hit by the rise in UK interest rates and the weakness in the London and US stock markets. The All Ordinaries index tumbled 25.9 to 1,480.1 in continuing thin turnover of 97m shares worth A$156m.

Industrials suffered badly, with the index plunging 41.6 to 2,452.9. Among the big falls were transport stocks, with TNT off 12 cents at A$3.80 and Brambles down 30 cents at A$10.60. Banks saw Westpac and National Australia both 12 cents weaker at A$5.64 and A$6.62. In the media sector, News Corp came off 20 cents to A$9.90. BHP saw 7.74m shares traded, falling 10 cents to A$7.08.

HONG KONG was also buffeted by concern over oil prices and interest rates and the Hang Seng index lost 31 to 2,625.08. Volume was low at HK$777m in value against HK$1.23bn on Friday, amid concern at the slide in Tokyo.

There were early rumours that Hongkong Telecom would announce details of its share placement after the close, with a price of about HK$4.65 predicted – lower than last week's forecast of between HK$4.70 to HK$4.90. HK Telecom, which later asked for its shares to be suspended today because of underwriting and placing arrangements for the stock, fell to HK$4.92½ from HK$5.10.

SINGAPORE saw turnover plummet to its second lowest level of the year, with the only activity coming from small local investors as weaker markets overseas kept institutions away.

The Straits Times industrial index ended 8.77 easier at 1,002.55 in volume of 8.6m shares, only slightly more than the low of 8m traded on February 19. Most price movements were small.

SEOUL gained strongly in heavy volume amid speculation that the Government would make an announcement this week on expanding foreign investment in the stock market. The composite index rose 15.25 to 826.03.

SOUTH AFRICA

GOLD prices closed firmer amid healthy demand for blue chips as the bullion price rallied from morning lows on higher crude oil prices. Platinums and other minings also firmed while industrials closed steady to narrowly mixed.

Sweden takes tax reform in stride

Robert Taylor finds Stockholm still hovering just below its high

THE buoyant Stockholm bourse is taking last week's tax reform proposals from the ruling Social Democrats in its stride.

Although the opening of trading was held up for half an hour last Wednesday morning in order to hear details of what lay in store for the Swedish tax system, there were no signs of any panic or pessimism. In fact, the Veckans Affärer index rose by 0.5 per cent on the day to 1,187.2, with stronger gains in the index for the top 16 blue chip companies. There was also a noticeable increase in turnover following the tax news, with volumes rising to SKr444.5m in value compared with the previous day's SKr307.7m.

Yesterday, share prices lost ground, with the Veckans Affärer index closing 8.8 lower at 1,161.7 in response to currency and interest rate worries. But the bourse continues to hover just below its all-time high of 1,236.8, which it reached on the eve of the October 1987 crash.

Stockholm has actually been showing much more sensitivity to movements on Wall Street over the past fortnight than to what might or might not happen on the tax front. The tax reform package covers share, capital and corporate income and comes into force in 1991. The stated aim is to ensure that capital is taxed as heavily as earned income in the future.

The initially positive attitude on the Stockholm market towards the tax proposals rests probably on a sense of relief that at long last Sweden intends to do something radical about its high levels of marginal tax. "The mood is mildly optimistic but also slightly apprehensive," says Mr Gabriel Stein of Stein and Jagren, a local economic consultancy.

The lack of detailed figures has made it very difficult for authoritative calculations on what the change in the tax system will mean to companies or individuals.

There is, nevertheless, no doubting the thrust of what is being proposed. The standard rate of corporate tax, currently about 50 per cent, is to come down to 30 per cent in 1991, although most companies find their actual tax bill is no more than 30 per cent because of a wide range of tax deductions, allowances and adjustments. The reform proposals will involve an unspecified but potentially dramatic closing-up of the existing tax loopholes so many employers are likely to find an increase rather than a drop in their corporate tax burdens.

The other key change for companies will come in capital gains taxes. At present, any gain that is realised within two years is taxed at a rate of 74.5 per cent. After that period an investor can deduct 60 per cent of the profits from tax. Under the new proposed tax regime the two-year rule will be replaced by a 30 per cent capital gains tax. "This will bite much harder than in the past," argues Mr Sten Westerberg of Scandinaviska Enskild Banken. In practice shorter-term capital gains will be taxed less highly and longer-term ones more highly than now.

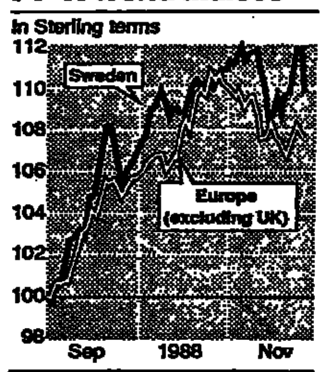
On balance, Kleinwort Benson in its analysis of the tax proposals believes the effects will be mixed for the big companies in Sweden but argues that the impact must "depend on the management of individual companies' profits remittances to Sweden and on the effects of double taxation rules."

For its part, James Capel suggests that companies likely to be affected least will be many of the larger blue chip companies, which have a low level of fixed assets or property – and therefore already have a high tax burden – or those with sizeable operations outside Sweden on which tax is paid. The losers are likely to be in property, the forestry industry and among middle-sized and smaller companies.

Much will depend on the specific detail of the final proposals when they emerge in 1990 from the Government. However, Mr Stein points out that even if the whole tax reform is carried through it will still leave Sweden with a higher overall tax burden than other western economies.

FT–A World indices

In Sterling terms



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 25 1988					THURSDAY NOVEMBER 24 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	149.87	+0.9	120.50	114.21	4.48	148.53	119.97	113.60	152.31	91.16	100.26
Austria (17)	99.05	−0.4	79.64	88.34	2.44	99.45	80.33	88.62	100.00	83.72	92.98
Belgium (63)	135.37	+0.0	108.83	120.68	4.19	135.35	109.32	120.66	139.89	99.14	101.90
Canada (125)	120.83	+0.8	97.15	104.25	3.35	119.88	96.83	103.86	128.91	107.06	106.52
Denmark (39)	152.99	−0.6	123.00	137.90	2.17	153.98	124.37	138.48	153.98	111.42	113.39
Finland (26)	134.60	+1.5	108.22	115.54	1.45	132.66	107.16	113.51	139.53	106.78	–
France (130)	111.72	−0.3	89.83	102.74	3.16	112.05	90.51	103.09	112.05	72.77	87.05
West Germany (102)	87.75	−0.4	70.55	78.24	2.38	88.10	71.16	78.55	88.21	67.78	77.27
Hong Kong (46)	109.19	−0.3	87.79	109.44	4.71	109.55	88.49	109.83	111.86	84.90	85.35
Ireland (18)	133.43	−0.9	107.28	120.79	4.13	134.70	108.80	121.78	144.25	104.60	103.81
Italy (98)	86.36	−0.1	69.43	82.17	2.46	86.46	69.84	82.39	86.73	62.99	81.69
Japan (456)	190.64	−0.1	153.28	145.87	0.51	190.75	154.07	145.77	190.75	133.61	141.78
Malaysia (36)	142.07	−0.4	114.22	145.65	2.95	142.62	115.20	145.70	154.17	107.83	103.11
Mexico (13)	180.19	+2.0	144.88	450.57	1.14	176.62	142.66	441.43	180.19	90.07	123.10
Netherland (38)	110.27	−0.1	88.66	97.34	5.07	110.42	89.19	97.47	111.00	95.23	96.72
New Zealand (25)	71.91	+0.1	57.82	58.08	6.79	71.83	58.02	58.39	84.05	64.42	81.54
Norway (25)	126.36	+1.0	101.59	111.18	2.61	125.06	101.01	110.03	132.23	98.55	105.58
Singapore (26)	121.12	−0.1	97.38	108.28	2.51	121.25	97.93	108.45	135.89	97.99	96.83
South Africa (60)	125.71	+3.5	101.07	94.76	4.85	121.51	98.15	94.52	139.07	98.26	135.15
Spain (42)	153.77	+0.3	123.63	131.23	3.11	153.29	123.82	130.70	164.47	130.73	122.21
Sweden (35)	135.28	−1.3	108.77	120.16	2.38	137.05	110.70	121.48	137.43	96.92	98.79
Switzerland (57)	80.82	+0.7	64.98	71.95	2.36	80.28	64.84	71.52	86.75	74.13	82.85
United Kingdom (318)	138.58	−1.7	111.42	111.42	4.72	141.02	113.91	113.91	141.51	120.66	121.84
USA (577)	108.92	−0.7	87.57	108.92	3.74	109.70	88.61	109.70	115.55	99.19	98.05
Europe (1008)	115.61	−0.9	92.95	98.80	3.75	116.61	94.19	99.86	116.61	97.01	100.25
Pacific Basin (680)	185.69	+0.0	149.30	142.99	0.73	185.75	150.03	142.89	185.75	130.81	138.04
Euro-Pacific (1688)	157.64	−0.3	126.75	125.45	1.63	158.08	127.69	125.79	158.08	120.36	122.96
North America (702)	109.55	−0.6	88.08	108.65	3.72	110.23	89.04	109.36	116.07	99.78	98.50
Europe Ex. UK (690)	101.14	−0.1	81.32	91.14	2.98	101.29	81.82	91.29	101.29	80.27	86.85
Pacific Ex. Japan (224)	126.51	+0.4	101.72	106.68	4.53	125.98	101.76	106.50	128.27	87.51	92.96
World Ex. US (1886)	156.05	−0.2	125.47	124.58	1.70	156.39	126.32	124.88	156.39	120.26	122.52
World Ex. UK (2145)	137.96	−0.2	110.92	120.12	2.06	138.28	111.69	120.36	138.28	111.77	112.20
World Ex. So. Af. (2403)	138.08	−0.4	111.01	119.45	2.28	138.61	111.96	119.91	138.61	113.26	112.90
World Ex. Japan (2007)	112.65	−0.6	90.57	105.29	3.78	113.35	91.56	106.09	115.54	100.00	99.28
The World Index (2463)	138.00	−0.4	110.95	119.29	2.30	138.50	111.87	119.74	138.50	113.37	113.04

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.